AGRICULTURAL EMERGENCY ACT TO INCREASE FARM PURCHASING POWER

HEARINGS

BEFORE THE

COMMITTEE ON AGRICULTURE AND FORESTRY

Congress

UNITED STATES SENATE

SEVENTY-THIRD CONGRESS

FIRST SESSION

ON

H. R. 3835

AN ACT TO RELIEVE THE EXISTING NATIONAL
ECONOMIC EMERGENCY BY INCREASING
AGRICULTURAL PURCHASING POWER

MARCH 17, 24, 25, 27, AND 28, 1933

Printed for the use of the Committee on Agriculture and Forestry

UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1933

166630

COMMITTEE ON AGRICULTURE AND FORESTRY

ELLISON D. SMITH, South Carolina, *Chairman*

JOHN B. KENDRICK, Wyoming.
BURTON K. WHEELER, Montana.
ELMER THOMAS, Oklahoma.
GEORGE McGILL, Kansas.
JOHN H. BANKHEAD, Alabama.
W. J. BULOW, South Dakota.
HATTIE W. CARAWAY, Arkansas.
HOMER T. BONE, Washington.
LOUIS MURPHY, Iowa.
JAMES P. POPE, Idaho.

GEORGE W. NORRIS, Nebraska.
CHARLES L. McNARY, Oregon.
ARTHUR CAPPER, Kansas.
PETER NORBECK, South Dakota.
LYNN J. FRAZIER, North Dakota.
H. D. HATFIELD, West Virginia.
BRONSON CUTTING, New Mexico.

HENRIK SHIPSTEAD, Minnesota

CHARLES E. JACKSON, *Clerk*
W. P. BOWERS, *Assistant Clerk*

LIBRARY OF CONGRESS
RECEIVED
APR 21 1933
DIVISION OF DOCUMENTS

Hist P 12 My 33

H II 1753
1933d

CONTENTS

Statement of—

Page
Blalock, U. Benton 274
Brookhart, Hon. Smith W 340
Broussard, James 328
Clair, Francis J 200
Conaway, Charles H 248
Corn, C. H 288
Donnelly, Mrs. Nell Q 157
Farr, Harry W 151
Hart, Hon. Michael J 336
Holman, Charles W 324
Jensen, Christian 282
Jensen, W. F 196
Lingham, Fred J 172
Loomis, A. M 255
McDonald, J. E 198
Mercer, J. H 332
Mollin, F. E 259
Peek, George M 74
Reid, W. M 294
Shoemaker, Hon. F. H 334
Simpson, John A 104, 119, 163
Streeter, C. D 270
Taber, L. J 339
Tugwell, Hon. R. G 49
Wallace, Hon. Henry A 7, 128
Ward, Cal 298
Woods, William Whitfield 302

AGRICULTURAL EMERGENCY ACT TO INCREASE FARM PURCHASING POWER

FRIDAY, MARCH 17, 1933

UNITED STATES SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D.C.

The committee met, pursuant to call, at 10 a.m. in its committee room, Senate Office Building, Senator Ellison D. Smith presiding, to consider H.R. 3835, an act to relieve the existing national economic emergency by increasing agricultural purchasing power.

Present: Senators Smith (chairman), Kendrick, Wheeler, Thomas of Oklahoma, McGill, Bankhead, Bulow, Caraway, Bone, Murphy, Pope, Norris, McNary, Capper, Norbeck, Frazier, and Shipstead.

There were present before the committee Hon. Henry A. Wallace, Secretary of Agriculture; Mr. R. G. Tugwell, Assistant Secretary of Agriculture; Mr. Frederick P. Lee, special counsel, Department of Agriculture; Mr. Mordecai Ezekial, economic adviser, Department of Agriculture.

The committee had under consideration H.R. 3835, a bill to relieve the existing national economic emergency by increasing agricultural purchasing power.

[H.R. 3835, Seventy-third Congress, first session]

AN ACT To relieve the existing national economic emergency by increasing agricultural purchasing power

***Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That the present acute economic emergency being in part the consequence of a severe and increasing disparity between the prices of agricultural and other commodities, which disparity has largely destroyed the purchasing power of farmers for industrial products, has broken down the orderly exchange of commodities, and has seriously impaired the agricultural assets supporting the national credit structure, it is hereby declared that these conditions in the basic industry of agriculture have affected transactions in agricultural commodities with a national public interest, have burdened and obstructed the normal currents of commerce in such commodities, and render imperative the immediate enactment of this act.**

DECLARATION OF POLICY

SEC. 2. It is hereby declared to be the policy of Congress—

(1) To establish and maintain such balance between the production and consumption of agricultural commodities, and such marketing conditions therefor, as will reestablish prices to farmers at a level that will give agricultural commodities a purchasing power with respect to articles that farmers buy, equivalent to the purchasing power of agricultural commodities in the pre-war period, August 1909–July 1914; and

(2) To approach such equality of purchasing power by gradual correction of the present inequalities therein at as rapid a rate as is deemed feasible in view of the current consumptive demand in domestic and foreign markets.

(3) To protect the consumers' interest by readjusting farm production at such level as will not increase the percentage of the consumers' retail expenditures for agricultural commodities, or products derived therefrom, which is returned to the farmer, above the percentage which was returned to the farmer in the pre-war period, August 1909–July 1914.

TITLE I—COTTON OPTION CONTRACTS

Sec. 3. The Federal Farm Board and all departments and other agencies of the Government are hereby directed—

(a) To sell to the Secretary of Agriculture at such price as may be agreed upon all cotton now owned by them.

(b) To take such action and to make such settlements as are necessary in order to acquire full legal title to all cotton on which money has been loaned or advanced by any department or agency of the United States or held as collateral for loans or advances and to make final settlement of such loans and advances upon such terms as may be deemed advisable, in the judgment of the Secretary and the department or agency involved; and to sell this cotton also to the Secretary in the same manner as is provided in the preceding paragraph hereof.

The Secretary of Agriculture is hereby authorized to purchase the cotton specified in paragraphs (a) and (b).

Sec. 4. The Secretary of Agriculture shall have authority to borrow money upon all cotton in his possession or control and deposit as collateral for such loans the warehouse receipts for such cotton.

Sec. 5. The Reconstruction Finance Corporation is hereby authorized and directed to advance money and to make loans to the Secretary of Agriculture to acquire such cotton and to pay the carrying costs thereon, in such amounts and upon such terms as may be agreed upon by the Secretary and the Reconstruction Finance Corporation, with such warehouse receipts as collateral security.

Sec. 6. (a) The Secretary of Agriculture is hereby authorized to enter into contracts with the producers of cotton to sell to any such producer an amount of cotton equivalent in amount to the amount of reduction in production of cotton by such producer below the amount produced by him in the preceding crop year, in all cases where such producer agrees in writing to reduce the amount of cotton produced by him in 1933, below his production in the previous year, by not less than 30 per cent, without increase in commercial fertilization per acre.

(b) To any such producer so agreeing to reduce production the Secretary of Agriculture shall deliver a nontransferable-option contract agreeing to sell to said producer an amount, equivalent to the amount of his agreed reduction, of the cotton in the possession and control of the Secretary.

(c) The producer is to have the option to buy said cotton at the average price paid by the Secretary for the cotton procured under section 3, and is to have the right at any time up to January 1, 1934, to exercise his option, upon proof that he has complied with his contract and with all the rules and regulations of the Secretary of Agriculture with respect thereto, by taking said cotton upon payment by him of his option price and all actual carrying charges on such cotton; or the Secretary may sell such cotton for the account of such producer, paying him the excess of the market price at the date of sale over the average price above referred to after deducting all actual and necessary carrying charges: *Provided*, That in no event shall the producer be held responsible or liable for financial loss incurred in the holding of such cotton or on account of the carrying charges therein: *Provided further*, That such agreement to curtail cotton production shall contain a further provision that such cotton producer shall not use the land taken out of cotton production for the production for sale, directly or indirectly, of any other nationally produced agricultural commodity or product.

Sec. 7. The Secretary shall sell the cotton held by him at his discretion, but subject to the foregoing provisions: *Provided*, That he shall dispose of all cotton held by him by March 1, 1935: *Provided further*, That he is authorized to sell unlimited amounts at any time a price equivalent to not less than 10 cents, basis middling, seven-eighths inch staple, at the ports can be procured.

TITLE II—AGRICULTURAL ADJUSTMENT PROVISIONS

GENERAL POWERS

SEC. 8. In order to effectuate the declared policy, the Secretary of Agriculture shall have power—

(1) To provide for reduction in the acreage or reduction in the production for market, or both, of any basic agricultural commodity, through agreements with producers or by other voluntary methods, and to provide for rental or benefit payments in connection therewith in such amounts as the Secretary deems fair and reasonable, to be paid out of any moneys available for such payments.

(2) To enter into marketing agreements with processors, associations of producers, and other agencies engaged in the handling, in the current of interstate or foreign commerce of any agricultural commodity or product thereof, after due notice and opportunity for hearing to interested parties. For the purpose of carrying out any such agreement the parties thereto shall be eligible for loans from the Reconstruction Finance Corporation under section 5 of the Reconstruction Finance Corporation Act. Such loans shall not be in excess of such amounts as may be authorized by the agreements and shall bear interest at a rate not in excess of 3 per centum per annum.

(3) To issue licenses permitting processors, associations of producers, and other agencies to engage in the handling, in the current of interstate or foreign commerce, of any basic agricultural commodity or product thereof, or any competing agricultural commodity or product thereof. Such licenses shall be subject to such terms and conditions, not in conflict with existing acts of Congress or regulations pursuant thereto, as may be necessary to eliminate unfair practices or charges that prevent or tend to prevent the effectuation of the declared policy and the restoration of normal economic conditions in the marketing of such commodities or products and the financing thereof. The Secretary of Agriculture may suspend or revoke any such license, after due notice and opportunity for hearing, for violations of the terms or conditions thereof. Any agency engaged in such handling without a license as required by the Secretary under this section shall be subject to a fine of not more than $1,000 for each day during which the violation continues.

(4) To require any licensee under this section to furnish such reports as to quantities of agricultural commodities or products thereof bought and sold and the prices thereof, and as to trade practices and charges, and to keep such systems of accounts, as may be necessary for the purpose of this act.

PROCESSING TAX

SEC. 9. (a) To raise revenues for the payment of extraordinary expenditures incurred by reason of the national economic emergency there shall be levied, assessed, and collected, during the marketing period (as ascertained and prescribed by regulations of the Secretary of Agriculture) for any basic agricultural commodity with respect to which rental or benefit payments are made under this act, in connection with reductions in the acreage of the crop, or in the production, for market during such period, a tax to be paid by the processor on the first domestic processing of the commodity, whether of domestic production or imported. Such tax shall, except as hereinafter provided, equal the difference between the current average farm price for the commodity, and the fair exchange value of the commodity. Such value for any commodity shall be the price therefor which will give the commodity the same purchasing power, with respect to articles farmers buy, as during the pre-war period, August 1909–July 1914. The current average farm price and the fair exchange value shall be ascertained by the Secretary of Agriculture from available statistics of the Department of Agriculture.

(b) If the Secretary of Agriculture, after investigation and due notice and opportunity for hearing to interested parties, finds at any time that the imposition of the tax at the rate hereinbefore provided has resulted or is likely to result in a substantial reduction in the quantity of the commodity or products thereof domestically consumed, he shall fix such lower rate as is necessary to maintain or restore such domestic consumption. Such rate may be revised from time to time pursuant to further findings under this subsection. In making any such finding the Secretary shall give due consideration to the following factors among others:

(1) Reports as to wage scales, employment, and unemployment in urban regions.

(2) Changes in the consumption of the agricultural commodity and of other commodities.

(3) Evidence derived from statistical studies of supply and demand for previous periods, which indicate the change in consumption of the commodity which would normally occur in consequence of a particular change in the cost to processors or consumers.

(4) Other relevant data as to changes in the cost of living of consumers, consumers' buying habits, and current and prospective conditions in industry pertinent to determining the probable effective demand for the commodity.

MISCELLANEOUS

SEC. 10. (a) The Secretary of Agriculture may appoint such officers and employees, subject to the provisions of the Classification Act of 1923 and acts amendatory thereof, and such experts as are necessary to execute the functions vested in him by this act; and the Secretary may make such appointments without regard to the civil service laws or regulations: *Provided*, That no salary in excess of $10,000 per annum shall be paid to any officer, employee, or expert of the Emergency Agricultural Adjustment Administration, which the Secretary shall establish in the Department of Agriculture for the administration of the functions vested in him by this act.

(b) The Secretary of Agriculture is authorized to establish, for the more effective administration of the functions vested in him by this act, State and local committees, or associations of producers, and to permit cooperative associations of producers, when in his judgment they are qualified to do so, to act as agents of their members and patrons in connection with the distribution of rental or benefit payments.

(c) The Secretary of Agriculture is authorized, with the approval of the President, to make such regulations with the force and effect of law as may be necessary to carry out the powers vested in him by this act. Any violation of any regulation shall be subject to such penalty, not in excess of $100, as may be provided therein.

(d) The Secretary of the Treasury is authorized to make such regulations as may be necessary to carry out the powers vested in him by this act, including regulations, with the force and effect of law establishing conversion factors for any commodity and article processed therefrom to determine the amount of tax imposed with respect thereto, and defining processing with respect to any commodity.

(e) The action of any officer, employee, or agent in determining the amount of and in making any rental or benefit payment shall not be subject to review by any officer of the Government other than the Secretary of Agriculture or Secretary of the Treasury.

(f) The provisions of this act shall be applicable to the United States and its possessions, except the Philippine Islands, the Virgin Islands, American Samoa, and the island of Guam.

(g) No person shall, while acting in any official capacity in the administration of this act, speculate, directly or indirectly, in any agricultural commodity or product thereof, to which this act applies, or in contracts relating thereto, or in the stock or membership interests of any association or corporation engaged in handling, processing, or disposing of any such commodity or product. Any person violating this subsection shall upon conviction thereof be fined not more than $10,000 or imprisoned not more than two years, or both.

COMMODITIES

SEC. 11. As used in this act, the term "basic agricultural commodity" means wheat, cotton, corn, hogs, cattle, sheep, rice, tobacco, and milk and its products, and any regional or market classification, type, or grade thereof; but the Secretary of Agriculture shall exclude from the operation of the provisions of this act during any period any such commodity or classification, type, or grade thereof if he finds, upon investigation at any time and after due notice and opportunity for hearing to interested parties, that the conditions of production, marketing, and consumption are such that during such period this act cannot be effectively administered to the end of effectuating the declared policy with respect to such commodity or classification, type, or grade thereof.

APPROPRIATION

SEC. 12. (a) The proceeds derived from taxes imposed under this act, or so much thereof as may be necessary, are hereby appropriated to be available to the Secretary of Agriculture for rental and benefit payments and administrative expenses, including refunds under this act, personal services in the District of Columbia and elsewhere, contract stenographic reporting services, and printing and paper in addition to allotments under existing law.

(b) The Secretary of Agriculture and the Secretary of the Treasury shall jointly estimate from time to time the amounts currently required for such payments and expenses, and the Secretary of the Treasury shall advance to the Secretary of Agriculture the amounts so estimated. The amount of such advance shall be deducted from such funds as subsequently become available under subsection (a).

(c) The Secretary of Agriculture shall transfer to the Treasury Department, and is authorized to transfer to other agencies, out of funds available under this section, such sums as are required to pay administrative expenses incurred and refunds made by such department or agencies in the administration of this act.

TERMINATION OF ACT

SEC. 13. This act shall cease to be in effect whenever the President finds and proclaims that the national economic emergency in relation to agriculture has been ended; and pending such time the President shall by proclamation terminate with respect to any basic agricultural commodity such provisions of this act as he finds are not requisite to carrying out the declared policy with respect to such commodity. The Secretary of Agriculture shall make such investigations and reports thereon to the President as may be necessary to aid him in executing this section.

SEPARABILITY OF PROVISIONS

SEC. 14. If any provision of this act is declared unconstitutional, or the applicability thereof to any person, circumstance, or commodity is held invalid the validity of the remainder of this act and the applicability thereof to other persons, circumstances, or commodities shall not be affected thereby.

SUPPLEMENTARY REVENUE PROVISIONS

EXEMPTIONS AND COMPENSATING TAXES

SEC. 15. (a) If the Secretary of Agriculture finds, upon investigation at any time and after due notice and opportunity for hearing to interested parties, that any class of products of any commodity is of such low value compared with the quantity of the commodity used for their manufacture that the imposition of the processing tax would prevent in whole or in large part the use of the commodity in the manufacture of such products and thereby substantially reduce consumption and increase the surplus of the commodity, then the Secretary of Agriculture shall so certify to the Secretary of the Treasury, and the Secretary of the Treasury shall abate or refund any processing tax assessed or paid after the date of such certification with respect to such amount of the commodity as is used in the manufacture of such products.

(b) No tax shall be required to be paid on the processing of any commodity by the producer thereof on his own premises for consumption by his own family, employees, or household; and the Secretary of Agriculture is authorized by regulations, to exempt producers from the payment of the processing tax with respect to hogs, cattle, sheep, or milk and its products, in cases where the producer's sales of the products resulting from the processing of the commodity do not exceed $100 per annum.

(c) Any person delivering any product to any organization for charitable distribution or use shall, if such product or the commodity from which processed, is under this Act subject to tax, be entitled to a refund of the amount of any tax paid under this Act with respect to such product so delivered.

(d) The Secretary of Agriculture shall ascertain from time to time whether the payment of the processing tax upon any basic agricultural commodity is causing or will cause to the processors thereof disadvantages in competition from competing agricultural commodities by reason of excessive shifts in consumption between such commodities or products thereof. If the Secretary of Agriculture finds, after investigation and due notice and opportunity for hearing to interested parties, that such disadvantages in competition exist, or will exist, he shall proclaim such finding. The Secretary shall specify in this proclamation the competing agricultural commodity and the compensating rate of tax on the processing thereof necessary to prevent such disadvantages in competition. Thereafter there shall be levied, assessed, and collected upon the first domestic processing of such competing agricultural commodity a tax, to be paid by the processor, at the rate specified, until such rate is altered pursuant to a further finding under this section, or the tax or rate thereof on the basic agricultural commodity is altered or terminated. In no case shall the tax imposed upon such competing agricultural commodity exceed that imposed per like unit upon the basic agricultural commodity. The term "competing agricultural commodity" shall include, among others, rayon, silk, linen, and oleomargarine, and any basic agricultural commodity as to which a tax is not in effect under section 9.

(e) During any period for which a processing tax is in effect with respect to any commodity there shall be levied, assessed, collected, and paid upon any article processed or manufactured wholly or in chief value from such commodity and imported into the United States or any possession thereof to which this act applies, from any foreign country or from any possession of the United States to which this act does not apply, a compensating tax equal to the amount of the processing tax in effect with respect to domestic processing at the time of importation. Such tax shall be paid prior to the release of the article from customs custody or control.

FLOOR STOCKS

SEC. 16. (a) Upon the sale or other disposition of any article processed wholly or in chief value from any commodity with respect to which a processing tax is to be levied, that on the date the tax first takes effect or wholly terminates with respect to the commodity, is held for sale or other disposition (including articles in transit) by any person other than a consumer or a person engaged solely in retail trade, there shall be made a tax adjustment as follows:

(1) Whenever the processing tax first takes effect, there shall be levied, assessed, and collected a tax to be paid by such person equivalent to the amount of the processing tax which would be payable with respect to the commodity from which processed if the processing had occurred on such date.

(2) Whenever the processing tax is wholly terminated, there shall be refunded to such person a sum (or if it has not been paid, the tax shall be abated) in an amount equivalent to the processing tax with respect to the commodity from which processed.

(b) Notwithstanding the provisions of subsection (a), such subsection shall apply with respect to such portion of retail stocks on hand at the date the processing tax takes effect, as is not sold or otherwise disposed of for consumption within one month after such date.

EXPORTATIONS

SEC. 17. (a) Upon the exportation to any foreign country (including the Philippine Islands, the Virgin Islands, American Samoa, and the island of Guam) of any product with respect to which a tax has been paid under this act, or of any product processed wholly or in chief value from a commodity with respect to which a tax has been paid under this act, the exporter thereof shall be entitled at the time of exportation to a refund of the amount of such tax.

(b) Upon the giving of bond satisfactory to the Secretary of the Treasury for the faithful observance of the provisions of this act requiring the payment of taxes, any person shall be entitled, without payment of the tax, to process for such exportation any commodity with respect to which a tax is imposed by this act, or to hold for such exportation any article processed wholly or in chief value therefrom.

EXISTING CONTRACTS

SEC. 18. (a) If (1) any processor, jobber, or wholesaler has, prior to the date of approval of this act, made a bona fide contract of sale for delivery after such date of any article in respect of which a tax is imposed under this act, and if (2) such contract does not permit the addition to the amount to be paid thereunder of the whole of such tax, then (unless the contract prohibits such addition) the vendee shall pay so much of the tax as is not permitted to be added to the contract price.

(b) Taxes payable by the vendee shall be paid to the vendor at the time the sale is consummated and shall be collected and paid to the United States by the vendor in the same manner as other taxes under this act. In case of failure or refusal by the vendee to pay such taxes to the vendor, the vendor shall report the facts to the Commissioner of Internal Revenue who shall cause collections of such taxes to be made from the vendee.

COLLECTION OF TAXES

SEC. 19. (a) The taxes provided in this act shall be collected by the Bureau of Internal Revenue under the direction of the Secretary of the Treasury Such taxes shall be paid into the Treasury of the United States.

(b) All provisions of law, including penalties, applicable with respect to the taxes imposed by section 600 of the revenue act of 1926, and the provisions of section 626 of the revenue act of 1932, shall, in so far as applicable and not inconsistent with the provisions of this act, be applicable in respect of taxes imposed by this act: *Provided*, That the Secretary of the Treasury is authorized to permit postponement, for a period not exceeding 60 days, of the payment of taxes covered by any return under this act.

(c) In order that the payment of taxes under this act may not impose any immediate undue financial burden upon processors, any processor subject to such taxes shall be eligible for loans from the Reconstruction Finance Corporation under section 5 of the Reconstruction Finance Corporation act.

The **CHAIRMAN**. The committee will come to order. Mr. Secretary, we have asked you to come up and go over this bill section by section, explaining the terms and purposes, and answer such questions as members of the committee may see fit to ask. I think the committee has some question about title 1, and in order to conserve time I would ask, unless the committee otherwise desires, that you take up title 2 and explain it, or have anyone that you may desire do so.

STATEMENT OF HON. HENRY A. WALLACE, SECRETARY OF AGRICULTURE

Secretary **WALLACE**. I may say that Mr. Lee, who drafted the bill, was not in his office when you called, but we hope to have him here in 15 minutes, and he will explain the legal points in the bill. Necessarily, the legal points will be delayed until Mr. Lee arrives.

Senator **McGILL**. What Mr. Lee is this?

Secretary **WALLACE**. Mr. Frederick T. Lee of the firm of McCracken & Lee, who formerly was head of the Senate drafting bureau and who has been acting as special council for the Department since March 4.

Senator **McGILL**. He is the one that drafted the allotment feature?

Secretary **WALLACE**. Yes; he has drafted many types of farm legislation.

Senator **THOMAS**. Mr. Secretary, I have received a great many telegrams from individuals and farm organizations in Oklahoma endorsing the farm program. They must have gotten the bill very quickly.

Secretary Wallace. The substance of the bill was not known to the press or the public or the farm groups, to anyone in fact except a very small number, until yesterday noon. The bill was drawn, you understand, to carry out as nearly as possible the recommendations of the farm organization people when they met here Friday and Saturday of last week, and they might have had the bill which conformed to those recommendations—they might have had it in mind on that account.

Senator Bankhead. What farm organizations were those?

Secretary Wallace. We have a complete list of them over in the office. There were about 50 persons present representing the three main groups.

Senator Bone. The National Grange, the Farm Bureau, and the cooperatives?

Secretary Wallace. Yes.

Senator Bone. Is this the draft of what they decided on?

Secretary Wallace. I have not been in touch with any of them since the bill was up. I do not know how well satisfied they are with it.

The Chairman. Mr. Secretary, I will ask that you furnish a list of the representatives of the farm organizations for the record and it can be incorporated later on. Now, if you will just take the bill and go through it.

(The list of representatives asked for by the chairman is as follows:)

U. B. Blaylock, president American Cotton Cooperative Association.
E. F. Creekmore, American Cotton Cooperative Association, New Orleans, La.
C. G. Henry, president Midsouth Cotton Cooperative Association, Memphis, Tenn.
C. G. Smith, director, Midsouth Cotton Cooperative Association, Blytheville, Ark.
Dr. Tait Butler, editor Progressive Farmer, Memphis, Tenn.
Homer D. Wade, Texas Cooperative Council, Dallas, Tex.
C. W. Holman, National Cooperative Milk Producers' Federation, Washington, D.C.
Robin Hood, secretary, National Cooperative Council, Washington, D.C.
Judge J. D. Miller, National Cooperative Milk Producers' Federation.
Edward A. O'Neal, president American Farm Bureau Federation, Chicago, Ill.
Charles E. Hurst, Iowa, vice president, American Farm Bureau Federation.
M. S. Winder, executive secretary, American Farm Bureau Federation, Utah; Chicago, Ill.
Earl C. Smith, president legislative committee, American Farm Bureau Federation, Chicago, Ill.
R. W. Blackburn, president legislative committee, American Farm Bureau Federation, Thermal, Calif.
C. R. White, president legislative committee, American Farm Bureau Federation, Iona, N.Y.
L. J. Taber, master National Grange, Columbus, Ohio.
Fred Brenckman, National Grange, Washington, D.C., representative.
S. S. McClosky, National Grange, Washington, D.C., representative.
Fred J. Freestone, New York National Grange, Interlaken, N.Y.
Dr. J. Phil Campbell, director of extension, Athens, Ga.
Representative W. P. Lambertson, Congressman, representing Farmers' Union.
O. O. Wolf, National Livestock Marketing Association, Ottawa, Kans.
E. W. Benjamin, Pacific Egg Producers' Association, New York, N.Y.
Chester Gray, American Cotton Cooperative Association, Washington, D.C.
C. V. Gregory, editor Prairie Farmer, Chicago, Ill.
Dan Wallace, editor The Farmer, St. Paul, Minn.
Dante M. Pierce, Wallace Publishing Co., Des Moines, Iowa.
Charles A. Ewing, National Livestock Marketing Association, Chicago, Ill.
P. O. Wilson, National Livestock Marketing Association, Chicago, Ill.

Elmer Beamer, National Livestock Marketing Association, Chicago, Ill.
Ralph Snyder, chairman Committee of National Farm Organization, Manhattan, Kans.
George N. Peek, Moline, Ill.
M. W. Thatcher, Washington representative, Farmers' National Grain Corporation.
H. I. Harriman, president United States Chamber of Commerce.

Secretary WALLACE. Starting on page 5, section 8?

The CHAIRMAN. Yes; the part that we would like to have thoroughly discussed is title 2, as it is the general legislation, and if you will begin there now and explain as you proceed.

Secretary WALLACE. You will note that, starting with section 8, page 5, broad general powers are conferred on the Secretary of Agriculture in order to attain the objectives which were set forth on page 2. These broad general powers are listed on pages 6 and 7.

The first power is, shall we say, essentially the allotment plan idea, although it is somewhat broad, providing for reduction in the acreage or reduction in production, not only acreage but production, if it seems feasible, of some commodities.

Senator WHEELER. How do you propose to provide for reduction of acreage? I am very much interested in that, and I would like to get your ideas as to just how you are going about it, if you have it in mind.

The CHAIRMAN. Does that not follow in subsequent sections, that provision?

Secretary WALLACE. Yes; that is elaborated further over here, but it is also left, of course, to regulation to a very considerable extent. That section covers substantially all the powers of the Secretary relating to production, but leaves the Secretary free to use on each particular crop that method of reduction which appears most effective for that product, after going into the matter with his representatives, producers, and processors and so on, concerned, and it may be by renting land in particular areas, or it may be by renting land pro rata from every farmer producing, or it may be by paying the farmers to retire lands in production and making them a benefit payment as proposed under the original allotment plan.

Senator WHEELER. Then I would assume, from that statement, that you do not have any particular definite plan in mind with reference to how you are going about it, but to leave it entirely in the discretion of the Secretary of Agriculture. Is that it?

Secretary WALLACE. Yes.

Senator WHEELER. Now, let me ask you this: Is not that going to—I am just looking at it now from the standpoint of the Secretary of Agriculture himself—is not that going to involve you and the Department in interminable conflicts with the different groups? For instance, you are going to have insurance companies—or perhaps not insurance companies, but bonding companies and people of that kind that own the land, have taken it over under mortgage, and they are going to want to lease their land to the Government at the present time, it seems to me, because of the fact that it is standing idle and probably will stand idle until they can resell it; then you are going to have the farmers' group, many of whom will want to lease part of their land; and in my section of the country, where there are vast sections of undeveloped land that may be used for the production of wheat, I am wondering just how it is going to be possible to work out that provision, and if you have any particular idea in mind with reference to it I would like to know, because of the fact that we are going to immediately get requests from the different groups and different people as to just what the policy of the Department is going to be with reference to that.

Secretary WALLACE. Senator Wheeler, it seems to me that in the carrying out of the provisions under this no. 1, you should also keep in mind a matter which is developed under section 2, which would amount to this kind of a situation, resulting very promptly in the administration of the act: That commodity councils would be set up, in which would be represented producers, processors, possibly certain other elements in the trade or in the commodity, and these people, experienced in the production and in the handling of the commodity, would decide on the particular method which seems to work to best advantage in adjusting production to the consumption of that commodity. In one section with one commodity they might use the rental method; in another section they might use what you would call the allotment-plan method. It would devolve very largely on the experienced producers and processors to decide which scheme would apply to their situation.

The CHAIRMAN. May I make the suggestion that the Secretary go through the bill, giving his explanation, discussing the different sections, and each member make note of any questions, and when he gets through with his general explanation then take it up specially, so that he may present to use the concrete form in which he wants to put it.

Secretary WALLACE. The second paragraph provides that the Secretary of Agriculture shall have power—

> To enter into marketing agreements with processors, associations of producers, and other agencies engaged in the handling, in the current of interstate or foreign commerce, of any agricultural commodity or product thereof, after due notice and opportunity for hearing to interested parties.

Then there is the provision for securing loans from the Reconstruction Finance Corporation.

Senator McGILL. That is by the processors, associations of producers, and so on?

Secretary WALLACE. Yes.

Senator McNARY. That is what you call the commodity councils?

Secretary WALLACE. Yes; providing the essentials for commodity councils, and providing also, as I read it, for the possibility of entering into contracts with processors to get rid of abnormally large stocks, not for stabilization purposes, but for purposes of moving them out of the country and getting them off the market, so that there will be a possibility of price rise. The rest of it merely has to do with getting money from the Reconstruction Finance Corporation.

> (3) To issue licenses permitting processors, associations of producers, and other agencies to engage in the handling, in the current of interstate or foreign commerce, of any basic agricultural commodity or product thereof, or any competing agricultural commodity or product thereof. Such licenses shall be subject to such terms and conditions, not in conflict with existing acts of Congress or regulations pursuant thereto, as may be necessary to eliminate unfair practices or charges that prevent or tend to prevent the effectuation of

the declared policy and the restoration of normal economic conditions in the marketing of such commodities or products and the financing thereof. The Secretary of Agriculture may suspend or revoke any such license, after due notice and opportunity for hearing, for violations of the terms or conditions thereof.

And the penalty provided. That, of course, really furnishes the power to prevent unfair trade practices from crippling the act.

Senator **McGill**. You mean that no one could engage in the business of processing or handling unless he has a license, and will be subject to a fine in the event that he does?

Secretary **Wallace**. Suppose, for instance, your commodity council had been set up under no. 2, and certain agreements had been entered into by which it was undertaken to protect the common interest of all parties involved, the interest of the producers, the processors, and the consumers, and suppose that some individual processor, some group of producers—of course, no producers are involved in this licensing; they could not be—but suppose some association or some processor deliberately tries to sabotize the agreement entered into, we have here the power to make him behave.

Senator **McGill**. Then a man engaged in operating a flour mill would not be permitted to do that unless he engaged in that business under this license?

Secretary **Wallace**. That is right, in case it had been found necessary to license such flour millers.

Senator **Capper**. This requirement of the license applies only to associations of producers, and not to individual producers?

Secretary **Wallace**. That is right, associations of producers are listed here. They should be listed.

Senator **McGill**. Does that mean that it is wholly discretionary in the first instance with the Secretary of Agriculture as to what concerns would be permitted to have a license, or would they all be permitted to have this license and not be deprived of it unless they violated the provisions of this act?

Secretary **Wallace**. I will ask Mr. Lee to answer that question.

Mr. **Lee**. The licensing provisions would apply to such classes of processors, associations, and other agencies as the Secretary prescribed in his regulations. He is given authority further on to prescribe. The terms of the license would be left to the discretion of the Secretary of Agriculture and would in general be such as would prevent unfair practices or charges which tended to defeat the purpose of the act. It is remedial power too or ancillary power to carry out the other authority of the Secretary in trying to arrive at a better price for agricultural commodities. The license might be suspended for violation of the terms under which it is granted.

Senator **Bankhead**. But the license is granted to all applicants who comply with the regulations?

Mr. **Lee**. Yes.

Senator **McGill**. There would be no discretion to deny any license?

Mr. **Lee**. But if there were arbitrary discrimination that would be a legal question.

Senator **McGill**. But it would not be discretionary as to who would receive the license in the first instance, if he made proper application?

Mr. **Lee**. Yes.

Senator **McGill**. He would receive a license? He would not be denied that license unless he violated the provisions of the act?

Mr. **Lee**. Of course, whether you are requested to have a license would be left to the regulation of the Secretary, and the penalty is not against operating without a license, but it is operating without a license when one is required by regulation of the Secretary.

Senator **Norris**. Suppose a man were engaged in operating a mill, selling his products abroad or across a State line; he would have to have a license to operate, would he not?

Mr. **Lee**. If it had been required by the Secretary. The act does not itself require all processors or distributors to have a license, but he can not operate without one if it is required by regulation.

Senator **Norris**. Would not that be the practical result? Would not the Secretary, as a matter of self-defense, have to require everybody to take out a license by his regulations?

Mr. **Lee**. I would not suppose so, Senator, unless he found that in the distribution of a particular commodity there were such practices occurring that the operation of the act was being defeated; then he would require licenses in order to further control the marketing situation and prevent the defeat of the operation of the act and the other powers that he was exercising thereunder.

Senator **Norris**. As a practical matter, would it not have to come to that? In other words, if a man did not take out a license, he would not be subject to any regulation or control of any kind; he could get the benefit, however, of any increased price that would be brought about, but he would not be liable for anything if he did not have a license; and in order to protect those who did take out licenses would not the Secretary as a practical result have to compel everybody to take out a license?

Mr. **Lee**. I do not think you can predict that, Senator. If I were to hazard a guess, I would say that in any particular commodity—we will say wheat, for instance—if it was found that through operation of the distributing agencies there were practices being engaged in that prevented, we will say, a fair portion of the increased price being returned to the farmer, then the Secretary would license probably all agencies engaged in the distribution of that commodity, or perhaps all processors engaged in the distribution of that commodity.

Senator **Bankhead**. Mr. Lee, is it not further true that in the case of some individual producers or production agencies it might be necessary to deal with him by a license?

Mr. **Lee**. No; the authority here does not permit the licensing of individuals.

Senator **Bankhead**. But when you do apply your plan that way, then no license would be required?

Mr. **Lee**. That would be correct.

Senator **McGill**. You could hardly make this applicable to the wheat country without requiring a license of all processors of that commodity.

Mr. **Lee**. I would not suppose that would be necessary, Senator. It would depend on how circumstances developed. If through the reduction in acreage and the benefit payments made, or other powers exercised, the price of wheat was being raised from those operations sufficiently without undue burden to the consumer, then I would suppose no license would be necessary, but if those operations and the exercise of those powers was going on and it was found that through trade practices or charges the producer was not receiving a fair return of the money involved, or the consumer was being charged excessive distributing costs as a result of the operations, then the licensing system might be brought into play. It is not something that I personally would feel that the Secretary would automatically, when the act went into effect, make immediate use of. It is more in the nature of an additional remedy to care for situations that may develop, that tend to embarrass the operation of the act.

Secretary **Wallace**. It would follow the commodity councils very rapidly, would it not, in all probability?

Mr. **Lee**. If you had the commodity council.

Secretary **Wallace**. Yes.

Mr. **Ezekiel**. If I may suggest, the commodity council might substitute a voluntary agreement in place of enforced regulation through the license in industries where the commodity council and agreements under those provisions gave effective control; then the compulsory license would not be required.

Mr. **Lee**. That would be my judgment, Mr. Secretary, as Mr. Ezekiel has stated, that the agreement to such provisions would be sufficient to care for your commodity councils, I think under most circumstances, without the additional aid of the licensing provision.

Senator **McNary**. We have had lots of measures here for farm relief, and personally I think this is a complicated section. I do not see that it has any particular value. Most people would have to obtain a license or you would have conflicts between the man that has the license and the man that has not. I do not see why you have it in the bill. I can see no use or purpose it would serve in connection with the plan that you have here. Your explanation has not explained it to me.

Senator **Wheeler**. Excepting this: It seems to me that it would give the Secretary the power, in the event that there were unfair trade practices, to simply say to everybody: "Now, you have got to have a license if you are going to do business," and that would shut out unfair trade practices when he had that power to prevent somebody from carrying on unfair trade practices.

Senator **McNary**. Will you give us an illustration?

Senator **Wheeler**. I don't know that I could offhand.

Senator **McNary**. Of course, you cannot.

Senator **Wheeler**. I do not know right offhand of one.

Senator **McNary**. The law of supply and demand, with the advance in the price levels, would correct that situation or prevent it coming into existence. When you start to license—this is a voluntary scheme; one man can take out a license and the other need not. There is no way to compel them all to be licensed. It is not a power which you can exercise against one group or one individual or the other, because it is voluntary to come in. The license theory is questionable, anyhow, and should not be imposed upon a group of producers or processors unless absolutely essential and necessary in the structure of the bill.

Senator **Wheeler**. I am assuming that he is not going to use the license system unless he finds it is absolutely necessary.

The **Chairman**. May I ask this question? In contemplation of a license being issued, anyone who has a license and violates the provisions of it, he is then estopped from any protection or any distribution? May I ask Mr. Lee if your interpretation of the licensing feature is that once he is compelled by the Secretary to take out a license and he violates the terms of the license, then he is forbidden to produce or to manufacture?

Mr. **Lee**. It would be within the power of the Secretary to suspend or revoke the license, and if it was suspended or revoked, then he could not operate further in distribution without subjecting himself to the criminal penalty. But the licensing provisions, Senator, may I say once more, do not apply to individual producers, as I understood your inquiry to imply.

Senator **Capper**. I would like to ask Mr. Lee under what conditions he thinks the use of this license machinery might be necessary in order to protect the farmer or producer?

The **Chairman**. Can you give an illustration?

Senator **Wheeler**. It seems to me, for instance, you could take the grain trade in Minneapolis, and we have had innumerable instances in the past, as everybody in North Dakota and South Dakota and in the big wheat-producing States knows, where there have been actually unfair trade practices that absolutely robbed the farmers in the grading of wheat. For instance, they have taken wheat that was no. 1 wheat and graded it as no. 4 wheat, and so on and so forth. I think that Senator Frazier can testify to that. In the event that you had a situation of that kind, where these producers or these processors were doing that sort of thing, then you could go to work and say: "Now, before you can carry on, you have got to have a license to do business." Then you would have a club over their heads and you could say: "Now, unless you take out a license, you are not going to be permitted to carry on."

Senator **McNary**. Is that the language of this bill?

Senator **Wheeler**. I think that is what it means.

Senator **McNary**. Is it the language of the bill?

Senator **Wheeler**. Yes.

Senator **McNary**. Where is it?

Senator **Wheeler**. Section 3, page 6:

> To issue licenses permitting processors, associations of producers, and other agencies to engage in the handling.

Senator **McNary**. Then your idea is that everybody, processors or——

Senator **Wheeler** (interposing). Can be made to take out a license.

Senator **McNary** (continuing). Or associations of producers can be forced to take out a license before they can do business?

Senator **Wheeler**. I think so.

Senator **McNary**. Then it is not a voluntary situation?

Senator **Wheeler**. No; that could not be a voluntary situation, not at all, I mean so far as that particular group is concerned. But I am not worrying about whether it is voluntary or not; I am worrying about giving the Secretary of Agriculture something to protect the producers in the wheat section against the unfair trade practices that we all know have been carried on by the Minneapolis and St. Paul and Chicago crowd.

Senator **Capper**. I am asking for information. I recognize that there are vicious practices, as you suggest, that are very harmful to the producers out in my section, around the Kansas City grain market and other markets.

Senator **McNary**. Under this bill, this language, could you compel producers of milk or creamery products to take out a license? Otherwise, they would not be permitted to do business?

Mr. **Lee**. You could compel associations of producers of milk to take out a license if it was found necessary.

Senator **McNary**. Take the Beatrice Creamery Co., one of the largest in the country, if not the largest, and suppose that institution would not come to the Secretary and ask for a marketing agreement, could you prevent the operation of that concern in the sale of its products?

Mr. **Lee**. No; you could require them to take out a license if they were engaging in unfair practices of such a character that they were injurious to the producers.

Senator **Norris**. I notice on page 7, where you come to the penalty, it says:

> Any agency engaged in such handling without a license as required by the Secretary under this section shall be subject to a fine of not more than $1,000 for each day during which the violation continues.

Does not that really mean that every processor or handler of these products must take out a license or be liable to a fine if he does not?

Mr. **Lee**. Only if the licenses have been required by the Secretary.

Senator **McNary**. Then is it not a condition precedent that every processor of milk or wheat or cotton is required to take out a license before he can conduct his business?

Mr. **Lee**. It is not. He is only required to take it out when the Secretary has so required by regulation, as a result of his investigation, finding that unfair practices have been engaged in that are interfering with the operation of the act.

Secretary **Wallace**. Lines 2 and 3, page 7, Senator.

Mr. **Lee**. I might illustrate by this situation, where it will protect not only the public but the consumers. Supposing, for instance, that in the increase in the price of wheat you found that 2 cents was being passed on to the consumer, and that there was an unfair practice there—namely, that of pyramiding the tax—then the Secretary might well say that the operation of this act was being interfered with and he would require licenses from those who distribute flour in the grain trade. Under those circumstances, when he so requires, then the distributors would have to have the license.

The **Chairman**. In other words, if a processor of wheat, in the judgment of the Secretary, was conforming to the purposes of this bill, he would not be required to take out a license?

Mr. **Lee**. That is my understanding.

The **Chairman**. But when he begins—when it becomes evident that he is following such practices in his concern as are violative of the intent and purpose of the act, then he must get a license?

Mr. **Lee**. If the Secretary so requires.

Senator **McGill**. And if the Secretary so requires he has the power to compel him to take it?

Mr. **Lee**. Yes.

Senator McGILL. Otherwise he will be subject to the penalty.

Mr. LEE. Correct.

Senator BANKHEAD. It seems to me this whole requirement is aimed at producers and processors who engage in unfair trade practices; and that is not a new principle with this Congress, because we adopted a bill just before I came here, requiring licenses to control unfair trade practices in perishable fruits and vegetables moving in interstate commerce.

Senator NORRIS. What would be the inducement, Mr. Lee, for one of these processors to take out a license? It seems to me there must be some advantage or inducement to get him to ask for a license in the first place.

Mr. LEE. He would not have to ask for a license.

Senator NORRIS. I know he would not, but ought he not to have, by taking out a license, some advantage that he would not otherwise possess so as to induce him to take out one?

Mr. LEE. That is not the theory on which this bill is drafted.

Senator NORRIS. If the man who does not take out a license has an advantage over the fellow who does, everybody will try to avoid taking out a license if he can; and you might have a processor of wheat required by the Secretary to take out a license, while his competitor just across the street would not be required to take out a license, both of them in the same business.

Senator WHEELER. I would assume, Senator, that if you found unfair trade practices, for instance, in the grain trade in Chicago, what you would do would be to require all persons engaged in the business to take out a license.

Senator NORRIS. Let us see what Mr. Lee says about that.

Mr. LEE. That hardly expresses my understanding. The requirement to take out a license depends upon investigation and finding by the Secretary of the necessity for license; then he requires the licenses to be taken out. I would suppose that the requirements or regulations of the Secretary would, just as Senator Wheeler has said, apply to all people within a given class. It might be that unfair practices in Chicago would apply to all the grain trade there.

Senator NORRIS. Would not this be the result then: That just as soon as you found one man who was not doing the right thing you would compel everybody in that line of business to take out a license?

Mr. LEE. The Secretary would have the discretion. If you found an isolated case of unfair practice, I would suppose that should probably be handled without putting into effect the license system at all.

Senator NORRIS. How would he handle it? What control would he have over it?

Mr. LEE. There are many other acts of Congress on the books that might possibly cover the situation. It might be a little moral suasion could be used on the gentleman effectively.

Senator NORRIS. A man engaged in a good many of these practices does not care much about morality.

Mr. LEE. Well, to answer the Senator squarely as to what would be within the legal power of the Secretary, I suppose that I must say frankly that the Secretary could require only one processor to take out a license, but I do not believe that the Secretary contemplates that situation.

Senator Norris. Now, that would depend, Mr. Lee, upon the business. If in the business it was a disadvantage to have a license and the man who did not apply for a license, did not want one, would think that it was a disadvantage—in other words, if he had some burdens, some duties to perform under the license—he has reports to make, for instance, that he wants to avoid—he probably would not want a license, yet he could be compelled to take out a license and operate under a license if his adversary, his competitor, was doing anything that the Secretary thought was wrong, that he wanted to regulate. In other words, he would have no right to regulate anybody unless he made them take out a license, would he?

Mr. Lee. Not as to unfair practices or charges; no.

Senator McGill. Would he have the right to require these reports? Would he be able to get these reports on agricultural commodities otherwise?

Mr. Lee. No; those only apply to licenses.

Senator McGill. And necessarily he would almost have to require the license in order to get the reports?

Senator Norris. He could not get reports from anybody who did not have a license, unless they made it voluntarily.

Secretary Wallace. It seems to me it will be necessary to have greater uniformity of licensing than Mr. Lee contemplates.

Senator McGill. If you have any trouble; yes.

Secretary Wallace. But I agree to some extent with Senator McNary, that you want to avoid licensing so far as possible, but you have power over, we will say, the entire flour-milling industry, in case certain members misbehave, where they are impugning the honesty of the industries, and they would be subject to the possibility of being licensed, and that would tend to invoke the moral suasion within the industry to keep those people in line.

Senator Norris. It may be entirely necessary to license everybody, but it ought to be avoided if possible, because there are a great many people who rather resent the interference with their personal liberty.

Senator Wheeler. I would not hesitate for a second to license all of these people in the grain trade, because——

Senator Norris (interposing). It may be necessary.

Senator Wheeler (continuing). Because the reports of the Department of Commerce, the reports of the Federal Trade Commission, have shown beyond a question of doubt, in my judgment, that they have robbed the people out there, and I think the Secretary—as a matter of fact, I do not think you are ever going to correct that evil until such time as you give the Secretary of Agriculture, if possible, the power to license them all. I mean that idea does not bother me at all.

Senator Frazier. I think the only fair way would be to license every grain dealer and every miller engaged in handling wheat. That would prevent any criticism of unfair play or partiality if the order went out to license every one of these grain dealers and millers and that they must comply with the regulations or lose their license to buy grain or mill this flour. There would be no question about that at all.

Senator Wheeler. That is my view about it.

The Chairman. Let us suppose that after the purpose of this bill is declared, the Secretary finds that the grain dealers and millers are in line and are going along, carrying out the purposes of the bill; it would not be necessary to require any license at all if they voluntarily conformed to the purposes of the bill.

Senator **Frazier**. If you knew the grain dealers as we do up in our country, you would not put a proposition of that kind to them.

Senator **Norris**. They would not do that—at least, there will be some who would not.

Senator **Wheeler**. I introduced a resolution that passed the Senate the other day, calling upon the Secretary of Agriculture for information with reference to what they did while the Farm Board has been operating; and I will venture the assertion that when the Senate gets that report back, if we get correct information, you will see how they have operated even when we have been passing legislation for the purpose of assisting the grain trade.

Senator **Norris**. Let me ask another question along that line. The Secretary of Agriculture can revoke the license. A man or a corporation engaged in the business of milling or processing cannot operate without a license, we will say. The Secretary had made such regulations that required him to get a license. He gets a license and he has a hearing on some charge made against him, and the license is revoked. Is there any appeal provided in the bill?

Senator **Wheeler**. He could always appeal to the courts.

Senator **McGill**. The provisions of the bill, as I read them a minute ago, provide that he has no appeal.

Senator **Norris**. Well, then, if he does not have, are we running into Supreme Court, constitutional, legal proposition?

Senator **Wheeler**. Is not this true: Supposing no appeal is provided; he can always go to the courts, and if the Secretary of Agriculture exercises an arbitrary action, takes an arbitrary position in the matter, the court will grant his petition.

Senator **Norris**. Senator Wheeler, the result would be a very severe penalty. The man would be completely put out of business. He could not stay in business at all if his license were revoked. In other words, it takes away from him his entire business.

Senator **Wheeler**. He always has a recourse open to him, provided there has been an arbitrary exercise of power.

Senator **Norris**. I would rather have some method provided in the law for an appeal rather than to let them take the general law, because the first thing he would do, I suppose, would be to get an injunction, and the Secretary would be confronted with these injunctions from these fellows, and they would stay in the courts and go to the Supreme Court of the United States, and it would be 4 or 5 years before it would be determined, and in the meantime he would be forbidden by an order of some court from performing his functions under the act.

Senator **McGill**. I might have failed to get the point there, but what I have in mind is on page 10—

> The action of any officer, employee, or agent in determining the amount of and in making any rental or benefit payment shall not be subject to review by any officer of the Government other than the Secretary of Agriculture or Secretary of the Treasury.

That is what I had in mind. It would not be applicable, I think, to the particular situation you cite.

Senator McNARY. Mr. Secretary, under the language in section 2 he could compel every cooperative association, even the milk producer raising hogs, to take out a license before they could transact their business.

Secretary WALLACE. Yes; I think so.

Senator MURPHY. We have run into violations of the Antitrust Act already in the agreements between processors and producers regarding prices.

Secretary WALLACE. It is stated at the bottom of page 6 and top of page 7 that—

> Such licenses shall be subject to such terms and conditions not in conflict with existing acts of Congress.

Senator WHEELER. It would not affect the Sherman antitrust law any in my judgment.

Mr. EZEKIEL. The language of paragraph 2 modifies the application of the antitrust laws to a degree and in the same way that the Capper-Volstead Act modifies the application of the antitrust law to cooperative marketing associations again under the discretion of the Secretary of Agriculture instead of the Department of Justice.

Senator NORRIS. Mr. Lee, may I ask you what is your idea about the advisability of putting in this section a provision for appeal, so as not to leave it—they will get into court anyway, but if you provide a way to get into court they will have to follow that way, if we are not unreasonable in it and provide a method of appeal through the Secretary of Agriculture to the courts.

Senator WHEELER. You mean, for instance, in case the license is revoked?

Senator NORRIS. Yes; suppose he revokes the man's license and he wants to appeal.

Senator WHEELER. We do that very thing with reference to the Radio Commission. For instance, we provide an appeal to the courts.

Senator NORRIS. We did that in the law that we passed several years ago.

Mr. LEE. Perishable products.

Senator NORRIS. No; I was thinking about the Marketing Act, I guess.

Senator WHEELER. I cannot see any objection to it whatsoever.

Senator BANKHEAD. An appeal would suspend action, would it not, and thereby would not many corporations be disposed to appeal whether there was merit in it or not?

Senator WHEELER. No, all you would do, Senator, is this—as I understand Senator Norris—in the event that they resort to the license system, for instance, of all the grain trade, then one man is charged with a violation of the provisions of the license and the rules and regulations of the Department; in that event, if his license is suspended, that particular individual has a right to appeal from the decision of the Secretary of Agriculture revoking his license, to the courts. It does not affect the general situation.

Senator NORRIS. My idea in putting it in is to provide a method that will not be as long as it would be if we did not put anything in. What I am afraid of now is that when you revoke a license—and it is a pretty severe thing to revoke a man's license; he has got the savings of a lifetime involved in his business, and probably is no good, and under the due-process clause of the Constitution he could go into Federal court and get an injunction against the Secretary of Agriculture, starting in with the district court—some Federal district court—and get an injunction, and that would run along for a year or more until he got up to the Supreme Court of the United States.

Senator **Bankhead**. The point in my mind is that in providing an appeal I do not think there is sufficient authority without violation of the due-process clause.

Senator **Norris**. But, Senator, on the theory that it would be a protection to the carrying out of this law to rather shorten by statute the method by which he could get into court—and we cannot keep him out of court; that would be unconstitutional.

Senator **Bankhead**. But that is not the question. What I am driving at is this: I have no objection to it, but could we not provide some short method for determination?

Senator **Norris**. That is what I want to do. I want to make it just as short as I can, with the idea of making it shorter than it would be if we did not put anything in the law, because if we do not put anything in, then under that provision of the Constitution, the due-process clause, it seems to me clear that they can go into court, and they would have a right to.

Senator **Wheeler**. There is no question at all in my mind but what the Secretary of Agriculture could administer this; that we could pass this law just as it is and make it stand up in the courts.

Senator **Bankhead**. I think so.

Senator **Wheeler**. I do not think there is any doubt about it; but on the other hand, I agree with Senator Norris that as a matter of protection for the producers themselves, and for the carrying out of the law, it would be better to make such a provision, because here is what you would have come up: The man whose license was revoked would go into the Federal court; he would immediately get out an injunction attacking this whole provision, and might tie up the working of the whole licensing provision of the law; whereas, if he had a direct appeal to the courts, he would not then get out an injunction, he would appeal and he would probably raise the constitutionality of the question in his appeal as to the right of the Secretary of Agriculture to revoke his license, but it would not tie up the whole working of the law as it would if he got out an injunction against the Secretary of Agriculture enforcing the whole clause, and for that reason I think that Senator Norris is correct.

Senator **McGill**. He would have the right of appeal as to whether the Secretary had acted arbitrarily or in conformity with the law.

The **Chairman**. Could there not be written in here a provision that the Secretary would have the right to call attention to this practice and give a period of time in which the one who is guilty of the infraction of the rule might conform to it?

Senator **McNary**. Is not that already the existing statute known as the Volstead-Capper Act? I think it is.

Senator **Norris**. We have been putting these provisions in provisions for years. The bill I was trying to think of a while ago—the law I was trying to think of a while ago in which we put one was the Stockyards Act.

Senator **McNary**. Yes; the Stockyards Act, and it is in the Capper-Volstead Act.

Senator **Wheeler**. We have put the provision in reference to appeal in practically everything.

Senator **Norris**. In pretty nearly every one, as I remember.

Senator **McNary**. It is in the Grain Futures Act.

Senator **Norris**. Yes.

The **Chairman**. And the Cotton Futures Act.

Senator **McNary**. Yes; several of those.

Senator **Norris**. What do you say about it, Mr. Lee? Do you think such a provision is advisable? Do you not think that if you leave it just as it is, any person whose license is revoked would have a right to go to the Federal court if you said nothing about it?

Mr. **Lee**. I think you and Senator Wheeler have stated the situation fully. If there were an error of law, such as failure to give due notice or opportunity for hearing——

Senator **Norris** (interposing). Due process.

Mr. **Lee**. Or failure to revoke because of a violation of the terms of the license; if there were no evidence, no substantial evidence to sustain the action of the Secretary, all those questions could go to the Federal court. If you had an appeal provision, of course that would cover it in much greater detail; if not, they would go before the Federal court by extraordinary reference, presumably an application for a mandatory injunction restraining the Secretary from revoking or suspending the license.

Senator **Wheeler**. Let me ask you this, Mr. Lee: Supposing you do not have the right of appeal in there; then the man, for instance, would go into the Federal court and ask for a mandatory injunction, attacking immediately the whole licensing provision, would he not, and he might tie up the operation of that whole provision; whereas, if he appeals, if you provide a method of appeal, he then would not tie up the operation of the whole law, because he would only be trying out his own specific case. Of course, the court might finally determine that the right to license in the Secretary was in violation of the constitution and that we had exceeded our authority when we gave this arbitrary power to the Secretary.

Mr. **Lee**. That is correct, Senator. In addition, though, you have to recognize that any class of persons who were contemplated or were required to have licenses as the result of the regulations of the Secretary could enjoin or go to court and attempt to enjoin the Secretary from putting into effect that particular provision, and there you have a constitutional test.

Senator **Wheeler**. There is this thought in my mind: I have not looked it up, but the thought occurs to me from the statement which you made a while ago of this question, that I would doubt offhand that the Secretary of Agriculture could say to John Jones, who is engaged in processing wheat, "You have got to take out a license, but Jim Smith, who is engaged in the same business, does not have to take out a license." I doubt very much that he could do that. I think if he is going to license them, the license has got to apply to everybody engaged in that particular line of business.

Mr. **Lee**. Similarly situated.

Senator **Wheeler**. Similarly situated.

Mr. **Lee**. My only additional suggestion, and I may be in error, would be that the grant of power be broad enough from a legal standpoint, not from an administrative standpoint but from a legal standpoint, that if desired the Secretary require a license of any one person. I cannot contemplate that being done, and that may not be a good suggestion.

Senator **Wheeler**. It seems to me that would be an exceedingly unfortunate thing.

Mr. **Lee**. Of course, if it were done arbitrarily, without any justification for the particular classification made, that is, singling out that one person, I would assume that it would be looked on most unfavorably by the court if it came up for review.

Senator **McNary**. Mr. Secretary, on page 6, line 13, " for the purpose of carrying out any such agreement the parties thereto shall be eligible for loans from the Reconstruction Finance Corporation." What sort of agreements would you contemplate would require loans from the Reconstruction Finance Corporation? What would be the extent of those loans? Have you made an estimate?

Secretary **Wallace**. I have not made an estimate of the extent of those loans. A typical situation would be when there was an abnormal quantity of lard, say, back of the seller, which might be disposed of in China, and they wanted to move that lard out at rather a cheap price to China in order to permit the domestic supply and demand situation to adjust itself; they could get loans from the Reconstruction Finance Corporation to get that excessive quantity of lard out to market.

Senator **McNary**. That transaction could only follow in case a license had been issued to a processor or association of producers.

Secretary **Wallace**. Personally, I do not see why a license would be necessary there. It might give him an additional safeguard, but it does not occur to me at the moment.

Senator **Norris**. Line 8, page 6, " to enter into marketing agreements with processors, associations of producers, and other agencies," and in line 13, " for the purpose of carrying out any such agreement the parties thereto shall be eligible for loans from the Reconstruction Finance Corporation," would indicate to me that one would have to have a license through a marketing agreement before he could be eligible for a loan.

The **Chairman**. Would not the marketing agreement be the basis upon which he would get the loan, the written agreement, or whatever form you have it in? After he has entered into the market agreement, then for the purpose of carrying out such agreement he might get a loan.

Senator **Norris**. It seems to me that he would have to have a license in order to make that loan.

Senator **McNary**. That is not quite clear to me.

Senator **McGill**. It is not to me. Under section 2 no license would be required at all.

The **Chairman**. It is the agreement.

Senator **McGill**. The agreement is all that is necessary. He could enter into this marketing agrement as is provided for in section 2 and be permitted to obtain a loan. That would not require a license.

The **Chairman**. Now, Mr. Secretary, you may proceed.

Secretary **Wallace**. Mr. Chairman, I would like to offer for your consideration an amendment under these powers, which might be called 1 (b). I might offer it for your consideration.

The **Chairman**. Under what paragraph, 1?

Secretary **Wallace**. Immediately following paragraph 1, on page 6, calling it 1-b, and it would read as follows, that is for your consideration:

> The Secretary of Agriculture shall have the right to make such rules and regulations for planting or prevention of planting or harvesting of crops as may be necessary and helpful in the work of eradicating or preventing pests and other diseases which are harmful to plant and animal life.

That power might be of considerable value in preventing the spread of the pink bollworm in Texas. It would help also, incidentally, in the price of cotton.

The **Chairman**. If you have got copies of that, just leave it here with the Secretary and we will take it up when we come to consider the bill.

Senator **McNary**. Mr. Secretary, will you discuss this processing-tax provision and the following section 9?

The **Chairman**. Now we come to section 9, Mr. Secretary.

Secretary **Wallace** (reading):

> To raise revenues for the payment of extraordinary expenditures incurred by reason of the national economic emergency there shall be levied, assessed, and collected, during any marketing period for any basic agricultural commodity with respect to the production of which for such period rental or benefit payments are made under this act, a tax to be paid by the processor on the first domestic processing of the commodity, whether of domestic production or imported.

This tax, I may say, is the source of revenue right here that you get the money from to do the business with.

Senator **Norris**. Now the question arises in my mind as to that section, whether that violates the provisions of the constitution providing that revenue bills must originate in the House of Representatives.

Secretary **Wallace**. This bill is to originate in the House of Representatives.

Senator **Norris**. We will not take it up here until they get through with it?

Secretary **Wallace**. That is right.

> Such tax shall, except as hereinafter provided, equal the difference between the current average farm price for the commodity and the fair exchange value of the commodity. Such value for any commodity shall be the price therefor which will give the commodity the same purchasing power, with respect to articles farmers buy, as during the pre-war period, August 1909–July 1914. The current average farm price and the fair exchange value shall be ascertained by the Secretary of Agriculture from available statistics of the Department of Agriculture.

I think I had better go on and read the next paragraph as well, otherwise there will be some questions raised here that will be answered by the next one:

> If the Secretary, after investigation and due notice and opportunity for hearing to interested parties, finds at any time that the imposition of the tax at the rate hereinbefore provided has resulted or is likely to result in a substantial reduction in the quantity of the commodity or products thereof domestically consumed, he shall fix such lower rate as is necessary to maintain or restore

such domestic consumption. Such rate may be revised from time to time pursuant to further findings under this subsection. In making any such findings the Secretary shall give due consideration to the following factors, among others.

These are factors which might influence the setting of a lower rate than fair exchange value:

(1) Reports as to wage scales, employment, and unemployment in urban regions.

(2) Changes in the consumption of the agricultural commodity and of other commodities.

(3) Evidence derived from statistical studies of supply and demand for previous periods, which indicate the change in consumption of the commodity which would normally occur in consequence of a particular change in the cost to processors or consumers.

He might conclude after study of the specific commodity that this tax would raise the price to such an extent that there would be a great falling off in consumption, which would react unfavorably to the producers.

(4) Other relevant data as to changes in the cost of living of consumers, consumers' buying habits, and current and prospective conditions in industry pertinent to determining the probable effective demand for the commodity.

(c) The Secretary of Agriculture shall certify to the Secretary of the Treasury from time to time the rate of tax in effect for any commodity under this act.

The CHAIRMAN. Mr. Secretary, you bring in, under (1) on page 9, reports as to wage scales, employment and unemployment in urban regions. I take it that you mean that the tax is imposed to bring a parity between the price of the article after manufacture and the raw material; if it tends to raise the price to the consumer, then the tax, that parity, cannot be sustained on account of the cost of the manufacturing process?

Secretary WALLACE. That is not it. We will say in the case of cotton that the parity price of cotton would be 13 cents, and that the current price of cotton is 6 cents, and that the amount of the tax therefore should be, we will say, 7 cents, and that an examination of the employment situation indicates that the industry simply can not stand 7 cents; that the consumers will not buy if the thing is moved up that rapidly—as a matter of fact, the officers of the cotton association, the American Cotton Cooperative Association, have told me that they believe—speaking for producers, mind you—they believe that at the present time about all the tax that could be passed on would be, say, 2 cents. Mr. Blalock, for instance, has suggested some such figure. These considerations, 1, 2, 3, 4, are considerations which would cause you temporarily to adopt a much lower figure; after all factors in the industry have approached the problem they might, under these considerations, arrive at a lower figure.

The CHAIRMAN. That is the very point I was making—that the power of the public to consume the article and the unemployment and the low wage scales existing elsewhere than in the particular industry would affect the thing, and you would then have to scale your tax to provide for the maximum consumption under the conditions to get the maximum possible return to the producers in view of all the surrounding circumstances.

Senator CAPPER. You mentioned the parity price of cotton; have you any idea what the parity price on wheat would be?

Secretary **Wallace**. Roughly, 94 cents.

Senator **Wheeler**. When you speak of the "parity price," just what do you mean?

Secretary **Wallace**. The basic relationship existing from 1909 to 1914 between the particular commodity and the prices of things which the farmers bought. The price of things which farmers are buying today costs them about 104 percent of that basic period. The price of wheat in the basic period was, we will say, 90 cents; 104 percent of 90 cents would be, roughly, 94 cents. That is the way in which we ascertain it.

The **Chairman**. Have you worked out what was the parity in the period that you have selected, 1909 to 1914, in reference to cotton? About what was it in relation to what the farmers bought?

Secretary **Wallace**. The price of cotton in that period—by the way, are we using in this bill 1909 to 1914 for cotton?

Mr. **Ezekiel**. Yes.

Secretary **Wallace**. The price of cotton, as I remember it, in that basic period was 12.3 cents; 104 percent of that gives you, we will say, 12.7 cents—something like that.

The **Chairman**. I did not have an opportunity after I brought in the bill to look up just what was the chart in reference to that.

Senator **Norris**. I am just a little bit confused about the word "parity price". Is that well understood in the trade? Is that a term the meaning of which is definitely known?

Secretary **Wallace**. No; this concept is rather a new concept in the idea of social justice. It is just gradually coming into use.

Senator **Norris**. Does it mean anything like "commodity price"?

Secretary **Wallace**. No; it involves the idea of ratios; that here in a normal situation there was this relationship existing among the commodities which farmers sold and the commodities which farmers bought, in the period when the farmers themselves were relatively prosperous and the people in the cities were relatively prosperous, that is, a normal, balanced situation. We used the "parity" between the elements entering into that situation.

The **Chairman**. In other words, his bargaining power, expressed in terms of his commodity as compared with the bargaining power of those that sell to him, in the price of their commodities is out of relation as compared with 1909 to 1914?

Secretary **Wallace**. That is right. We do not have parity now. That is one of the great causes of our trouble. There is not a situtión of balance.

Senator **McNary**. The second paragraph here in the bill, "changes in the consumption of the agricultural commodity," that are used to determine the tax, might move from one position to another every day, every few days, and that is closely related to the sum of money that the producer receives for his product. Would not that prevent the open dealing in products because of the extreme uncertainty of price?

Secretary **Wallace**. I will say frankly, Senator McNary, that there is some argument on both sides of that point. It has seemed to me that it would be undesirable to have the power to change that with the frequency which this wording indicates to me.

The **Chairman**. How would a manufacturer proceed with his business, with the uncertainty of the change of the tax that he has got to pay?

Secretary **Wallace**. I think that is a matter which we could clear up. I have been very busy in the past few days—I have been wanting to get an apportunity to discuss that with Mr. Ezekiel, but I have not had the opportunity yet.

Senator **McNary**. It seems to me that that extreme flexibility would prevent any dealing beyond the immediate necessity of the time.

Secretary **Wallace**. Too frequent changes might seem like the whim of one man.

Senator **Norris**. Certainly.

The **Chairman**. It would inevitably slow up all manufacturing, for the reason that the manufacturer would have no certain period in which to operate, as to the tax.

Secretary **Wallace**. I would like to get the opinion of both Mr. Lee, of all three of my advisers here, on that matter, so that we can come to some conclusion. Mr. Lee, can you give the committee the benefit of your advice on that?

Mr. **Lee**. Well, any lowering of the rate depends on a finding by the Secretary, after appropriate hearing, that there has been or is likely to be a substantial reduction in the quantity of the commodity, of his product, that is domestically consumed, as a result of the particular type of rate being in effect. That, of course, depends in a measure upon that word "substantial." Obviously, every minor variation in consumption is not to be taken into account, but after a hearing and finding, and my thought is that that machinery would prevent a constant fluctuation in the tax, just like in your flexible tariff, where you have standards of differences in the cost of production. I do not think any gentleman on this committee has found that the Tariff Commission changes have been so rapid that business has been interfered with because of the rapidity of the change.

Senator **Wheeler**. We have the same thing in the Interstate Commerce Commission. We have the fixing of rates, of railroad rates.

Mr. **Lee**. Yes.

Senator **McNary**. That follows the hearing.

Senator **Wheeler**. But this follows a hearing. In the second paragraph it says that, "if the Secretary, after investigation and due notice and opportunity for hearing to interested parties." So you have exactly the same provision, practically, as the Interstate Commerce Commission has.

Senator **Norris**. Would it not be well, Mr. Lee—now, even though you have the hearing, you do not know when you get through whether you are going to reduce the tax or not, or raise it, as the case may be; you never do that until the decision is made—now right at that moment it has the effect on the man in business, and would it not be well to provide that the new rates should go into effect after a stated period of time such as 30 days or 60 days or something of that kind?

The **Chairman**. That is imperatively necessary, because the trade would not know—even during the hearing they would not know then.

Senator **Norris**. They would not know what the situation is going to be.

The **Chairman**. No.

Senator **Wheeler**. Of course, you have exactly the same thing with reference to the Tariff Commission, and you have identically the same thing with reference to the Interstate Commerce Commission. For instance, the rate on certain materials materially affects the manufacture of all products in the country, and yet the provision of the Interstate Commerce Act is to the effect that after hearing, the rates shall——

Senator **Norris** (interposing). Go into effect at once.

Senator **Wheeler**. Exactly. For instance, take the coal business. We have had before the Interstate Commerce Commission the controversy going on constantly between the West Virginia coal mines and the Pennsylvania coal mines. That controversy continues. They are applying for hearings before the Interstate Commerce Commission, and they are not only applying for hearings but fighting over who shall control the commission, as to whether it shall be West Virginia or Pennsylvania. They hold hearings on it. After the hearings, the Commission decides. Now, the West Virginia coal people claim that it will put them out of business if it goes one way, and the Pennsylvania people claim it will put them out of business if it goes the other.

Senator **Norris**. That is as to the rate. That would not hurt them more than a day or so anyway.

Senator **Wheeler**. Oh, yes, it could, if that rate goes into effect.

Senator **Norris**. They might have a long-term contract.

Senator **Wheeler**. It just upsets the whole industry in that particular section of the country. It is very material.

Senator **Bone**. Do you not think that in the event of an act of this kind becoming operative the men engaged in that line of business would make their business conform to the provisions of the act by a contact that would permit them to meet this sort of thing; prepare for lowering prices?

Senator **Wheeler**. I do not know how that would be.

The **Chairman**. You must understand that most of these processors have their acceptances for months ahead. They are obliged to do it. They make contracts which are not yet filled and for which perhaps they have not yet gotten the raw material. They do that under a certain tax; now, unless they have some notice after the tax is changed, in order to adjust themselves to contracts not yet entered into, you just have confusion worst confounded.

Senator **Bone**. Mr. Chairman, suppose you made a 30-day notice. A man's commitments covered a year or 6 months ahead. Thirty days would save him possibly some loss, but would not enable him to meet problems that arise in commitments projected beyond that time.

The **Chairman**. He would have that time in which to get his material to fill those contracts, which may be 6 months ahead—I have reference now to my knowledge of the cotton business—and he would clear up those contracts in good faith, and then the contracts that come in for still further fulfillment would be in accordance with the new position or new contracts.

Senator **Wheeler**. It seems to me it ought to provide for lowering it or making it higher.

Secretary Wallace. Of course, that lower rate, that really refers to the difference between the parity price and the current price, a lower rate than that.

Senator McGill. It can be revised from time to time, as conditions indicate.

Secretary Wallace. There is a maximum rate in that amount between the parity price and the current price, but you can set a lower rate than that. That is what that word "lower" means.

Senator Wheeler. Then the manufacturer of cotton goods, for instance, it seems to me is fully protected, because he knows what the maximum rate is, and how is he going to be at a loss, or how is it going to confuse him if he gets a lower rate?

Senator Bankhead. He contracts with reference to the maximum rate, and then any lowering of the rate does not hurt him.

Senator Norris. Would it not be true, though, that if he was not expecting that, and he did not contract in regard to the maximum rate, that would always put the consumer just a little bit higher than his cost? The consumer would be insured in that case that the processor would not lose.

Senator Wheeler. How much do you really suppose of the tax could be passed on to the consumer, actually passed on, without tremendous additions being made to the price that is going to hurt the consumer? To me this tax is going to be infinitesimal so far as the consumer is concerned. That is not where the consumer gets stuck.

Senator Capper. Do not forget that under the present system the whole market situation changes in a week or two or a month. I have seen a difference of nearly a dollar a bushel in the price of wheat where the board of trade was manipulating the market, breaking the market under their short selling game.

Senator Norris. That is one of the things that we have always fought against. That is one of the big evils that is to be avoided here if we can. We do not want such a thing to occur here.

Secretary Wallace. Is it not for stabilizing purposes, rather than fluctuating purposes?

Senator Norris. But the man who has got his money invested bought his products for future delivery, a manufacturer or processor, and he cannot change that; he has got to pay it, even though the tax is raised or lowered.

Senator Capper. But what I have in mind is that under present conditions the market is variable, the market price.

Senator Norris. That is a bad thing.

The Chairman. But you must remember that in the marketing of wheat and cotton they have got a practice known as "hedging" that protects the manufacturer absolutely, but leaves the producer clear out in the open with no redress whatever.

Senator Capper. This does not eliminate hedging.

The Chairman. No.

Senator Wheeler. Not only that, but take, for instance, wheat—I do not know anything about cotton, but I do know something about wheat—supposing, for instance, on wheat, the price of bread as a matter of fact does not change very much whether the price of wheat goes up or the price of wheat goes down to the fellow who sells the wheat.

Senator **Norris**. I admit that is true, and that is one of the evils of our system that we kick about.

Senator **Wheeler**. We cannot change it.

Senator **Norris**. I do not want to perpetuate it.

Senator **Wheeler**. You are not perpetuating it by this at all.

Senator **Norris**. Oh yes, you are.

Senator **Wheeler**. Not at all. Let us say, for instance, that you add to the tax—I do not know what the proposed tax will be, but supposing you did add, say, 5 cents or even 10 cents, or you add 20 cents tax, I will venture to assert that it will not change the price of bread to the consumers of this country 1 cent or one-tenth of a cent.

Senator **Norris**. But we want it to change the price of bread.

Senator **Wheeler**. But you can not do it.

Senator **Norris**. We are kicking, and rightfully kicking about the conditions that exist now, because the price to the consumer does not respond to the price of wheat.

Secretary **Wallace**. Senator Norris, Mr. Ezekiel, talking about the flour trade, has developed a contract which, together with the provisions under this bill, takes care of your point, and I think I will ask Mr. Ezekiel to talk on it a moment.

The **Chairman**. Just let me make this observation before he comes on. Under the terms of this bill you are setting out a process here by which the parity between what the producer purchases and what he sells must be maintained. Now, if there is a drop in the price of wheat and they maintain the price, the original price, of the product made from the wheat, you necessarily must increase that tax; therefore, in my mind, you are curing the evil which the Senator here [Senator Norris] complains of, because in the fluctuation of the speculative market known as the "grain exchange" and the "cotton exchange", if the fluctuation of the raw material becomes so obviously unfair, you are going to cure that process by saying that if this raw material drops down 50 points today, or $2.50 a bale, you increase automatically your tax.

Senator **Wheeler**. You cannot—we might just as well be frank about it; we are not going to cure that by this legislation, to any great extent, in my judgment. I think it is physically impossible to cure it. All you can do is to try to regulate the price of wheat, in my judgment, and you cannot regulate the price of bread under this act and you will not do it, unless you try to regulate it at retail.

Senator **Norris**. What I want to avoid, if possible, if we are going to attempt to regulate the price of bread, is not to have those who are supposed to come under this law say: "Here, under the law you cannot do it; it is so uncertain." I do not want them to use it as a defense. We ought to be able to reduce the price of bread when wheat goes way down, like it does. I know we do not, and that is one of the sins of our system. It is wrong.

Senator **Wheeler**. You ought to, but you cannot do it.

Senator **Frazier**. The bill that we considered last session contained a clause providing that the Secretary could give notice as to when the price changed, which would mean a change of price in the processed article. I do not know whether that is contained in this or not.

Mr. Lee. It is not in here, Senator. We considered that a desirable provision, but felt that it could all be handled by regulation by the Secretary. You see, it was merely the power to set forth information as to what increase in price of wheat ought to be reflected in the increased price of bread, or similarly as to cotton. We can handle all that by regulation without putting it into the law.

Senator **Frazier.** I do not think it would do any harm to have it included.

Mr. Lee. No.

Senator **Wheeler.** It might clear up some opposition for our bill. That is about all. If the Secretary of Agriculture has the power, he can do it.

Senator **Frazier.** Only it would show what the difference in price would mean, or should mean; then, if the retailer or wholesaler puts up his price unreasonably, of course the public could be given that information.

Senator **Wheeler.** The Secretary of Agriculture has that power now.

Senator **Capper.** But he could not enforce any different price.

Senator **Frazier.** There is no particular way of enforcing it, only publicity.

Senator **Wheeler.** But he has that absolute power now. The Secretary of Agriculture can do that without any law being passed at the present time, if he wants to do it.

I do not see any particular objection to the 30-day proposition. It cannot do any harm anyway.

Mr. Ezekiel. Mr. Chairman, to clear up this question as to existing contracts. During the last 9 months I have had under active discussion a provision which will provide that at the time any tax is imposed subsequent to the entering into the contract, that tax will automatically—automatic adjustment will be made in the price of flour to take account of the tax. Section 18 of the proposed bill covers the existing contracts—secion 18, page 17. That section provides that:

> If (1) any processor, jobber, or wholesaler has, prior to the date of approval of this act, made a bona fide contract of sale for delivery after such date of any article in respect of which a tax is imposed under this act, and if (2) such contract does not permit the addition to the amount to be paid thereunder of the whole of such tax, then—

in effect that will be added to the price he has to pay, and will be collected by the Bureau of Internal Revenue. So that this takes care of contracts which were entered into prior to the date of the legislation, and without question, contracts in the trade after the date of the legislation would include provision for the prices that have already been discussed, stating the way in which subsequent taxes would be adjusted.

Senator **Norris.** That will pretty nearly adjust itself, then. They will do that by contract.

Senator **Bone.** That would become a part of the contract, unless stipulated otherwise. That is a very commonplace thing in the law.

Mr. Ezekiel. Similar provisions have been placed in other features of the internal revenue laws.

Senator **Bone.** The statutes are full of them.

Senator **Wheeler**. We have given the President power to cut down compensation and cut wages; now I want to see somebody have the power to regulate these grain gamblers, for the benefit of the farmers of the country.

The **Chairman**. You may proceed now, Mr. Secretary.

Secretary **Wallace** (reading):

> SEC. 10. (a) The Secretary of Agriculture may appoint such experts and, in accordance with the Classification Act of 1923, and all acts amendatory thereof, and subject to the civil-service laws, such officers and employees as are necessary to execute the functions vested in him under this act: *Provided*, That no salary in excess of $7,500 per annum shall be paid to more than 10 additional officers or employees of the emergency agricultural adjustment administration which the Secretary shall establish in the Department of Agriculture for the administration of the functions vested in him by this act.

Senator **McGill**. As to those 10 employees there is no limitation on the amount that he can pay?

Secretary **Wallace**. No.

Senator **McGill**. And as to those 10 he might pay such salaries as he saw fit?

Secretary **Wallace**. On those 10 there is no limitation on the salaries that might be paid them.

Senator **McGill**. Do you not think this should be limited, that no salary should be in excess of $7,500, striking out the words "more than ten"?

Senator **Bankhead**. What is the idea there?

Secretary **Wallace**. The idea there is that this is really a tremendous undertaking, and in order to get competent men for the whole thing and for the heads of the respective commodities it might be necessary to go materially higher than $7,500, or it might be good economy for the Government to do it.

Senator **Bankhead**. I mean why this limitation of 10?

Secretary **Wallace**. There are only 10 that could get above $7,500.

Senator **Wheeler**. I think there ought to be a limit in this bill, to be frank with you. Things have been so thoroughly deflated that I think you could get men today—you might not have been able to get them 2 years ago, in 1929—but today there are plenty of men in this country that are walking the streets that, in my judgment, could do this work; that you can get for salaries of $7,500, and there are 10,000 of them; and I, for one, would want to limit the salaries, because we have had an experience of that kind, and I do not think we should permit you, Mr. Secretary, or anybody else, to have the power to go out here and employ some of these fellows and pay them $25,000 or $50,000 a year on the ground that they are supermen, because the supermen have been so deflated now that there are none of them any more.

Mrs. **Caraway**. I would like to add that they should be subject to the 15 percent cut in pay, as the rest of us are.

The **Chairman**. Mr. Secretary, do you not want to change the language of that? It is very ambiguous—"that no salary in excess of $7,500 per annum shall be paid to more than 10 additional officers or employees," and so forth.

Secretary **Wallace**. I think the meaning is clear. The question is as to the facts. If we had time to set this up, I would agree in principle with Senator Wheeler, but with such extraordinary speed imperative I am fearful that there are certain competent men that we could not get, we will say, for $15,000.

Senator **Wheeler**. I think you will be able to get them, Mr. Wallace. I think today there is patriotism enough in the people of this country so that you will be able to get help in setting up this organization.

Secretary **Wallace**. We have had some very fine offers.

Senator **Wheeler**. If you start out, Mr. Wallace, paying $15,000 or $25,000 a year, you will subject your whole plan to serious opposition, and I think it is a very grave mistake for you to attempt to do it.

Secretary **Wallace**. Well, your judgment is as good as mine on that, I assure you.

Senator **McGill**. I believe it would reflect on the administration of the law to have these high-salaried men in there.

Senator **Capper**. That matter was discussed here in reference to the Agricultural Marketing Act. Some one suggested a limitation on salaries, and the same argument you have made was made then, that you would not be able to get men that were absolutely necessary, and then we found that they had salaries there of $50,000 and $75,000, and the farmers were very severe in their criticism of that.

Secretary **Wallace**. I really think it might help if we had the privilege of taking on 10, we will say, up to $13,000—something like that. I think there are some men that might come at that figure.

Senator **Wheeler**. I do not agree with you.

Senator **Frazier**. You would have to get men already employed in these lines of work, drawing salaries now, and you would have to pay them approximately the same salaries that they are getting.

Senator **Wheeler**. But just stop and think what happens. In the farm marketing they said: "We have got to have this fellow in the grain trade; we have got to have this other fellow in the cotton trade"; and they made as big a mess of it as anybody could make.

Senator **Norris**. Now, Senator, the place where they were wrong, in my judgment, was when they said: "We have got to have this fellow." There is not any fellow that we have got to have.

Senator **Wheeler**. Not at all. There is no such thing as a superman.

Senator **Norris**. Just as a Senator, you think that, if you go out, the people are going to suffer, but they always find somebody to take your place.

Senator **Wheeler**. I think you will make a very serious mistake by that.

Senator **McGill**. In attempting to create the proper effect on the public mind, especially those engaged in agricultural pursuit, those men, I agree with you, should be experienced in their particular line, and I think you should pay more than $7,500 or $8,000 per annum, that you should make it $10,000, or $12,000, or $15,000; otherwise it will hurt the administration of your act.

The **Chairman**. I think we understand this section pretty thoroughly. Now, if the Secretary will proceed to the other sections of the act.

Secretary **Wallace** (reading):

> **(b) The Secretary of Agriculture is authorized to establish, for the more effective administration of the functions vested in him by this act, State and local committees, or associations of producers, and to permit cooperative asso-**

ciations of producers, when in his judgment they are qualified to do so, to act as agents of their members and patrons in connection with the distribution of rental or benefit payments.

That is to provide the machinery to get the money back to the farmers renting land, or following the allotment plan, to get that money back to the farmers, to utilize State and local committees, which presumably would be paid something.

The **Chairman**. Mr. Secretary, from what study I have made of this bill, in lieu of paying the farmer the difference between, or making an adjustment of the parity by paying him, this fund is to be used for the leasing of land rather than going to the farmer as a part of his equity in that tax?

Secretary **Wallace**. You can do it either way.

Senator **McNary**. Mr. Secretary, where is that provision in the bill that permits you to retire marginal or submarginal lands and compensate the farmer by rental benefits?

Secretary **Wallace**. You will find that under the general powers on page 6, part 1, providing for rental or benefit payments, line 4. You can provide a reduction in acreage or a reduction in production by either route, by the rental route or the allotment plan route, benefit payment route.

Senator **McNary**. Then you could retire a vast wheat acreage in Kansas if you so desired, and compensate the farmer in rental benefits through the money raised by this taxing process?

Secretary **Wallace**. Yes.

Senator **McGill**. That would have to be done by agreement.

Senator **Norris**. And this particular provision you are considering now is the method that will get the rental back to the farmer?

Secretary **Wallace**. Yes; this (b) on page 10 is the method of getting it back.

Senator **Wheeler**. Of course, if you rent it from the farmer and paid it direct to him, would you not—in any event, you would have to have a local committee to round the thing out and show you where to place it equitably. The idea is to decentralize payments as much as possible and let them lease it themselves.

Secretary **Wallace**. You see it is a matter of checking the past record as to their production in the past. You can use local men for that very effectively.

Senator **McNary**. Have you made any estimate as to the probable cost of retirement of the number of acres necessary to increase the price levels and bring about domestic parity between production and consumption? Suppose you were asked on the floor what would be required in the issue of funds for rental to bring about a balancing of market demands, in cotton acreage and wheat acreage? Have you got anything on the amount of acreage and the amount of cost?

Secretary **Wallace**. On the rental feature alone, dealing only with land—this is rather a guess on my part, but I would guess that you would want to take out of use something like 50,000,000 acres. It depends on whether you are getting the 50,000,000 forest acres or 50,000,000 average acres. The rental probably would be around $3.

The **Chairman**. There are 300,000,000 acres.

Secretary **Wallace**. No; that does not mean all commodities; that means all land.

Senator **McGill.** Wheat land, corn land, cotton, and so forth?

Secretary **Wallace.** Yes; crop land.

The **Chairman.** Well, Mr. Secretary, there is estimated to be 300,000,000 acres of land in cultivation in this country.

Secretary **Wallace.** 350,000,000, if you include hay land, which is part of the rotation.

The **Chairman.** Putting it at 350,000,000, if you were to reduce that 15 percent, you would have out then about 40,000,000 acres?

Secretary **Wallace.** It would be nearer 50,000,000 acres from 350,000,000 acres.

The **Chairman.** You would want to reduce that 15 percent, which would be about 41 or 42 million acres out, if you reduced it 15 percent I am taking it that if you start out to reduce 20 percent, not all would avail themselves of the opportunity under this act.

Secretary **Wallace.** Yes; that is a point to keep in mind.

The **Chairman.** And I estimated that there would be about 15 percent, which would make about 41,000,000 acres.

Secretary **Wallace.** No; your arithmetic is a little off there, is it not?

The **Chairman.** If you will just take 15 percent—yes; that would be about 46,000,000 acres. I was just figuring that if it was 50,000,000 acres at a rental value of $4, it would be $200,000,000; therefore, your tax that you would contemplate raising for the purpose of retiring this land, and benefits, would be about $200,000,000.

Secretary **Wallace.** Mr. Ezekiel calls my attention to the fact that the acreage value of cotton is about $9, and therefore my estimate is rather too low on cotton. Perhaps you had better make a statement on that, Mr. Ezekiel. I am not so familiar with the cotton situation as I might be.

Mr. **Ezekiel.** In the case of cotton, where the farmers have now reduced their cash cost to practically nothing except the taxes and interest, which they would be required to pay in any case, it is very doubtful, other than by the operation of Senator Smith's plan, if additional acreage could be secured except by paying the farmers substantially at least what the value of the cotton on that acreage otherwise would be worth. At present prices that would be approximately $9 an acre for land in an average year.

The **Chairman.** You mean $9 an acre rental?

Mr. **Ezekiel.** Yes.

The **Chairman.** I have got about 1,100 acres that I would like to rent to you for half of that.

Senator **Bankhead.** I think the chairman is a right big landowner, but you take the average farmer, he rents a few acres of cotton, and he is not going to reduce it to half at the normal price, when he is going to have the same cost for stock, the same feed, the same expense.

The **Chairman.** The Senator from Alabama must recognize that the largest percentage of these small cotton producers are renting land.

Senator **McGill.** What are they going to do after we pass this bill?

Secretary **Wallace.** It would probably take more than $2 an acre if this bill is passed and they think cotton is going up. It will take more than $2 an acre to get the land, will it not?

The **Chairman**. If cotton goes up to the proper parity, you will not need this bill at all; but what I am figuring on is if it stays anywhere near like it is. I have never rented, even in prosperous times, my cotton land at as much as $9 an acre except in some exceptional localities where the ground is naturally very rich.

Secretary **Wallace**. What we are trying to do is to figure what it would cost us to get 50,000,000 acres of land out of use.

Senator **McGill**. The average rental is what we want to determine.

Secretary **Wallace**. I am a little fearful as to $3 an acre. That is a figure customarily—$2.60 to $3 is the figure customarily used by the processors in their approach to the rental idea, and personally I am a little fearful of that.

Senator **Bankhead**. That is based upon woodland and all, the size of the ownership, not upon the cultivated land.

Senator **Murphy**. Mr. Secretary, I would like to inquire: I understand about 65 percent of the cotton now raised is raised for export, and about 1 percent of the corn is raised for export, so that there is very much more cotton land that would be retired from production than corn land. Would that be true?

Secretary **Wallace**. No; I think not.

Senator **Murphy**. Why?

Secretary **Wallace**. There might be more cotton land than corn land, but not in the proportions that you indicate, not anywhere near the proportions you indicate. We might make a cut of, say, 10,000,000 acres in cotton and be sound, but we would not make a cut of 65 percent. We could not do that, because we want to consider our part in the world cotton market. In corn, on the other hand, we could make a much greater cut than 1 percent, because while although we export about 1 percent of the corn only, we do export in normal times from the packing houses a large quantity of lard, and when you express corn in hogs, we might find that, considering all the ramifications of the corn situation, we might want to make a cut of 10,000,000 acres in corn, and I am inclined to think that we would make a cut, roughly, of 7,000,000 acres in corn and 10,000,000 acres in cotton, possibly more than that.

Senator **Bankhead**. Mr. Secretary, in your rental prices it seems to me that what you have got to take into consideration on the list of commodities is the yield per acre over some representative period, say, 18 bushels of wheat and 175 pounds of cotton, and then fix the price for that representative period per acre. In other words, if your wheat runs 18 bushels per acre and sold for a dollar, you would have been getting $18 an acre for that land gross return, and in order to tell what you are going to pay for land you have got to take into account the gross return. Take tobacco, the gross return might be more than $100 an acre, but there is a big difference in the cost of production.

Secretary **Wallace**. Considering land and labor.

Senator **Bankhead**. The cost of labor and cost of land. So when you take the yield per acre of the commodity and apply it for the same period to the price paid for the commodity, then you get a gross return on it, and you have got a basis then that the farmer can afford to take. Still I think that is purely a matter of administration.

Senator **McNary**. I would like to find out from you, Mr. Secretary, on that processing tax, that is the sum which the consumer must pay in addition to the price now prevailing, in order to bring about what you call the benefit payments? Is not that true?

Secretary **Wallace**. That is the way it ought to work. That means the amount the consumer will pay.

Senator **McNary**. How are you going to arrive at this processing tax? You start out here and you say we have got 50,000,000 acres in excess called "marginal land" that you are going to lease from farmers.

Secretary **Wallace**. If we took sub-marginal land, which is the lowest-yielding land, it would be more than 50,000,000 acres.

Senator **McNary**. Well, you have got to come to some idea sometime, and quickly, as to what this tax is to be on the acreage. You have got say, 200,000,000 acres, and that must come out of the higher price that the consumers pay for the products, necessarily. Is not that true?

Secretary **Wallace**. Yes; although I do not say—I would take exception to your statement that we can estimate it with absolute precision, because that depends on how successful we are through these commodity councils in using control to affect price.

Senator **McNary**. Then you can employ the allotment plan under this bill. How much is that going to cost? That must be collected by a tax.

Secretary **Wallace**. I beg pardon.

Senator **McNary**. I say, you said a while ago you have the power to invoke the so-called domestic-allotment plan, and that will benefit the farmer by the higher price level, which must come out of this processing tax?

Secretary **Wallace**. Yes.

Senator **McNary**. How much is the whole thing going to cost? Have you made an estimate, to determine what the tax will be?

Secretary **Wallace**. You mean if you followed the allotment plan only rather than the rental plan, if that is the only method used?

Senator **McNary**. The first thing that the people from the cities will want to know, and all their Representatives, is how much is this going to cost the consumers of the country and what plan are you going to pursue to collect it?

Secretary **Wallace**. You can not give a precise answer to that, because we do not propose to reach parity at once; that is, we feel that it is impossible to do it. We would like to do it, but we fear it is impossible to reach parity at once. If we did reach parity at once, it might cost $800,000,000, some figure like that—would cost the consumer something like that.

Senator **McNary**. That includes the retirement of this vast acreage as well as employment of the allotment plan?

Secretary **Wallace**. That is, assuming you are using the allotment plan and reaching parity at once, and also it assumes, moreover, that the price level, the general price level, is where it is today and that the farm commodities are where they are today, and that in order to close that gap between the parity price and the present price it would take today somewhere in the neighborhood of $800,000,000, if you are going to do that thing all at once.

Senator **McNary**. That $800,000,000, then, that would be allowed as benefit payments must come out of this processing tax on the producer, which the consumer must pay the processors ultimately, of course?

Secretary **Wallace**. Yes.

Senator **McNary**. So it will cost the consumer $800,000,000.

Secretary **Wallace**. If the full tax were put on right from the start on all commodities, but the bill directs that the tax be applied only gradually, to the extent which conditions can stand.

Senator **McNary**. How much are you going to take out of him?

Secretary **Wallace**. Well, that is a matter that we have been discussing. We have discussed that at some length under (b) on page 8.

Senator **Bankhead**. Does it not also depend on whether you put the allotment plan on all the land?

Secretary **Wallace**. Yes; but he asked for that assumption.

Senator **Bankhead**. In this discussion you are figuring on all commodities being put under the allotment plan?

Secretary **Wallace**. Yes.

Senator **McNary**. You are figuring on the employment of the allotment plan as to the basic commodities, seven in number, named in this bill, plus the retirement plan?

Secretary **Wallace**. I do not think you can apply the allotment plan to all the commodities. I am against applying it to a number of those commodities.

Senator **McNary**. Are you against applying it to hogs?

Secretary **Wallace**. There is a very real question mark involved there. That is a thing we have got to go over very carefully with the interested parties.

Senator **Wheeler**. As I take it, Mr. Wallace, what you want to do is to have this power as an emergency proposition so that you can take it up with these persons who are technically qualified?

Secretary **Wallace**. I do not say that any expert I have got, though, is fully technically qualified. I do not think any of us in this room are fully technically qualified.

Senator **Wheeler**. It is something that you have got to discuss with the different groups, and you feel that if you are given power you can sit down and take it up with the different groups and work out a plan, and that is your idea?

Secretary **Wallace**. Yes.

Senator **McNary**. Is it not true also that you have got two distinct forces here that are in conflict? If you employ your allotment plan it is upon the theory that it will raise the price level of commodities. Is not that true?

Secretary **Wallace**. Yes.

Senator **McNary**. And then if you go and enter into contracts for reduction and then by rental retire that land, the land will then command a very much higher rental by reason of the increased elevation in the commodity price?

Secretary **Wallace**. Right.

Senator **McNary**. Well, is that a consistent feature? This brings wheat up to 94 cents as against 42 cents now at the primary market; then you come around and want to retire 50 acres of my land, and my price will be considerably higher by reason of the elevated price level, will it not, due to the allotment plan benefits?

Secretary **Wallace**. Well, you are assuming that the allotment plan and the rental plan are being employed simultaneously on wheat.

Senator **McNary**. Yes; certainly.

Senator **McGill**. Are you contemplating doing it that way?

Secretary **Wallace**. It seems to me it would not be a very feasible method of operation. It does not seem to me that the wheat folks themselves would agree to it.

Senator **McGill**. Senator Smith spoke about the small cotton farmer, the tenant farmer. How do you propose, as to wheat or cotton, either one, to deal with the tenant farmer? Are you going to take wheat in the sense of the tenant becoming the landlord?

Secretary **Wallace**. That is a matter of regulation. Under the old allotment plan bill you had it set out as a joint undertaking.

Senator **McGill**. Suppose you deal with the wheat farmer by leasing the land and having the land lie idle; are you going to deal with the tenant in that way? Most of the farmers are tenants.

Senator **Bankhead**. Would you not necessarily deal with the landlord and tenant, whichever had control?

Senator **McGill**. That is what I am trying to find out.

Senator **Norris**. You have got to deal with both of them. Even if the tenant had it leased, the landlord would require him to put it all into crops. Why could you not divide up the lease in proportion to the way the crop is divided? Suppose the tenant gave two thirds or had two thirds and the landlord one third, would not that be a fair division?

Secretary **Wallace**. That is the way it was set forth in the allotment plan bill in the last session.

Senator **McGill**. The tenant has the same advantages under this act as the landlord.

Secretary **Wallace**. Of course, that is a matter of regulation.

Senator **McNary**. Mr. Secretary, following that matter up, I can not bring myself to the decision that these two can work consistently at the same time on the same crop.

Secretary **Wallace**. I can not either.

Senator **McNary**. Is there not 59,000,000 acres devoted to raising wheat?

Secretary **Wallace**. Not quite that much.

Senator **McNary**. Close to it?

Secretary **Wallace**. I think it is 54,000,000.

Senator **McNary**. All right; I do not care about a few million acres. Then, if you start on wheat, you have either got to go clear through by the retirement of excess wheat acreage, or you have got to go through with your allotment plan by increasing the price level on a parity between the fair exchange value and the commodity value. Is not that true?

Secretary **Wallace**. It would seem to me that you would probably employ one or the other.

Senator **McNary**. And not both?

Secretary **Wallace**. Not both.

Senator **McNary**. The thing that occurs to me is, Can we apply the two remedies here? So far as I am concerned, I would rather go through with the domestic-allotment plan as reported out of the Senate, but that is just an expression of opinion; but with this large acreage will the farmer want you to apply—the wheat grower I am speaking of now—the allotment plan, which places, values his product today at about 94 cents a bushel, we will say, or will he appeal to you to retire excess acreage? You can not work them both. The minute you try the allotment plan to a portion of the crop, the acreage that you retire is so profitable to the farmer from the production standpoint that his rentals will be ridiculously high, and we know he will want the allotment plan.

Secretary **Wallace**. As the representative of a wheat area, you yourself would vote for applying the allotment plan rather than rental to wheat.

Senator **McNary**. I do not know. You are the dictator.

Senator **Wheeler**. I am not at all sure that I would.

Senator **McNary**. But the point I want to make is that you cannot apply the two simultaneously. They will not work that way.

Senator **Bankhead**. Did not the allotment plan as it passed the House apply to both of them?

Senator **McNary**. No; we had no rental terms there.

Senator **Bankhead**. It provided for a reduction by agreement in acreage in order to get the benefits of allotment. We can provide for it, and it was provided for in the House bill.

Senator **McNary**. We cut it out for the very reasons I am now discussing. Do you think you could apply the two remedies to wheat?

Senator **Bankhead**. Why can you not?

Senator **McNary**. But would you?

Senator **Bankhead**. You do not have to provide payments in order to get a reduction in acreage if you apply allotment, because the payment is covered by the benefits. Under allotment, if a man gets allotment for so much wheat he does it as provided by the bill recently passed, by agreeing to reduce his acreage; therefore you have got the reduction in acreage without leasing, and the reduction is paid for by the benefits under the allotment plan. So it is not inconsistent at all.

Senator **McNary**. This is a rental benefit which he did not have in the other at all. If I surrender a large acreage now producing wheat, one of the basic commodities specified here, the Secretary in agreement will compensate me in the way of rental benefits for the retirement of production of that particular acreage.

Senator **Bankhead**. He would not lease the land always.

Senator **Wheeler**. I think we are working to different purposes. As I understand the Senator, what he means is this: You would not want to say to a farmer, "We are going to rent so much of your land and pay you for so much land," and then at the same time have the allotment plan by which you are going to reduce the acreage. Those two would be inconsistent.

Senator **Bankhead**. But you will not get a reduction in acreage.

Secretary **Wallace**. I would like to call attention to the wording of the bill in that respect, page 6, part 1, "to provide for rental or benefit payments."

Senator **Wheeler**. I mean you do not need to work them all at the same time.

Senator **McGill**. Not apply the two plans to wheat or the two plans to any product.

Secretary **Wallace**. Reading the bill, it is not clear in that respect.

Senator **Wheeler**. You could not do both and be consistent.

The **Chairman**. Mr. Secretary, carrying out the idea that Senator McNary has advanced, would it not be a good idea to apply just the rental feature to this bill, without any idea as to the allotment, looking toward a reduction in acreage, so reducing the production that there would be a consequent rise in price; fix your tax on the process to get, or lease, the land necessary, even raising your tax to where you would have a fair rental amount to make a fair proposition to the farmer, and try that out?

Secretary **Wallace**. There is considerable difference of opinion on that point. I think most processors favor the rental approach. On the face of it the rental approach seems cheaper.

Senator **Wheeler**. Simpler.

Secretary **Wallace**. And it is also, incidentally, much easier to explain. It does not get as much money into the hands of the farmer during the next year and does not cost the processor as much.

The **Chairman**. I am impressed with the argument that Senator McNary has made. If you apply the allotment plan simultaneously with your rental plan, you automatically increase the value of the land that you want to rent.

Senator **Wheeler**. But, Senator Smith, no sane man would attempt a thing of that kind. That would be perfectly asinine if anybody attempted it.

The **Chairman**. Then you would not have any reduction of acreage.

Senator **Wheeler**. Of course, you have reduction of acreage. You have a reduction of acreage under the allotment plan.

Secretary **Wallace**. In order to get the benefits you must agree to reduce acreage.

The **Chairman**. I know.

Senator **Wheeler**. Now, Mr. Secretary, with reference to the rental plan, I think the rental plan would be much simpler if it could be worked out satisfactorily. I think it would be much more satisfactory, but this situation arises, for instance, in my State: There are a great many—there are a lot of acres out there in Montana that farmers will not plant to wheat even if you did not rent it, providing, of course, prices stay down, but the minute they saw the prices were going up there are a lot of side hills of those mountains out there that they will immediately start in planting if you rent; for instance, you take in eastern Montana, say you rented half of the acreage in eastern Montana and a great many people saw that by reason of the fact that you had rented half of the acreage in Montana they get the idea that by reason of that fact wheat was going up, then a tremendous lot of people would go in and plant large areas in the foothills of the mountains out there where they can raise wheat, and they would put in a large acreage of wheat there, in my judgment, or on the Indian reservations and on lands that are now used for pasture, side hills, and so forth. That is something, it seems to me, that you have to take into consideration when you are talking about renting. Now, when you go into a State, for instance, like Kansas you do not run into that.

Secretary **WALLACE**. You mean the allotment plan would more effectively hold down that situation?

Senator **WHEELER**. Yes.

Secretary **WALLACE**. I agree with you.

Senator **WHEELER**. Of course, in Kansas you would not be met with that, but in Colorado you would.

Secretary **WALLACE**. You would suggest that the regulation might be a mistake if we should apply the rental plan to one area and allotment to another?

Senator **LONG**. That is it; yes.

Senator **BANKHEAD**. You could apply both, even in the same county.

Senator **MCGILL**. You would have all sorts of confusion then.

Senator **BANKHEAD**. He could have his option.

Senator **WHEELER**. It would never work out in that way, in my judgment.

The **CHAIRMAN**. My idea is that if you attempt to operate both you will have applications from every section to get the benefit of both, if it is possible, and it seems to me we ought to decide which one of the two plans would be the most feasible and have the most direct results.

Senator **WHEELER**. The difficulty with that, it seems to me, Senator, is this—we might just as well face it—the Secretary of Agriculture after he goes into this matter ought to be in a better position to decide that question for himself with reference to these sections than a committee of Congress or Congress itself, because it is impossible for us to get all of the facts here before this committee affecting each one of these sections. Now, what he is asking for—and it seems to me perfectly proper—is that he be put in a position, if he wants it—frankly, if I was Secretary I would not want it, because I think he is assuming a burden that is going to be an extremely difficult one to carry out, but if they want to try it and they want to assume that obligation or that duty, then, it seems to me, that if they feel they can work it out we ought to give them that power and let them decide which one they should follow in each case.

Senator **LONG**. In one case you would not want it, and in another case you would.

Senator **WHEELER**. I think so. I think both should be in there. In Kansas, for instance, one plan might work out much better than the other plan would, and it might be the other way in Montana.

Senator **LONG**. In southern Louisiana you will need one plan, and in northern Louisiana you will use another. The situations are entirely different.

The **CHAIRMAN**. Mr. Secretary, you have gotten down to section 10 now?

Senator **NORRIS**. He has been on section 10. He is down to subsection (c) on page 10.

The CHAIRMAN. Now will you take up subsection (c)?

Secretary WALLACE (reading):

> (c) The Secretary of Agriculture is authorized, with the approval of the President, to make such regulations with the force and effect of law as may be necessary to carry out the powers vested in him by this act. Any violation of any regulation shall be subject to such penalty, not in excess of $100, as may be provided therein.

Senator NORRIS. There may be no escape from it, and Congress has done it a good many times, but it is a very dangerous thing, this subsection (c) on page 10, for the Secretary to make a regulation and provide a penalty for its violation.

Senator WHEELER. That is done, of course, frequently.

Senator NORRIS. Not always. Usually the penalty is fixed in the law. But it gets you into trouble in either case, because you delegate to the Secretary the right to set up a penal statute and you delegate to him the power to fix the penalty for its violation.

Senator WHEELER. Of course, you do that in the Interior bills, I mean in the Forestry Bureau of the Agricultural Department on land questions. We have got innumerable cases where the Secretary makes rules and regulations, then the penalty is provided that in case of violation the penalty shall not exceed so much. You have it in the narcotic law; you have it in practically every department of the Government at the present time. I agree with you it is a bad thing, but it is not new.

Senator NORRIS. Is this subsection (c) copied from any existing law?

Secretary WALLACE. No.

Mr. LEE. It is not copied from any existing law, but as the Senator says, there are numerous precedents for that sort of thing that enables you to make your penalty fit the violation. If you put in a flat penalty, it puts you in the position of not suiting the penalty to the violation.

The CHAIRMAN. Have you any statutes that have a provision similar or exactly like this?

Mr. LEE. Yes; and there are 3 or 4 cases that have been sustained in the Supreme Court involving those statutes.

Senator NORRIS. I have heard a good many Senators say on the floor of the Senate that if they lived a million years they would never vote for a provision of law that delegated to any person the right to make a statute and fix the penalty for its violation. It is a very dangerous thing to do.

Senator MCGILL. The penalty fixed in this case does not seem excessive.

Senator WHEELER. Let me ask you this. "Any violation of any regulation shall be subject to such penalty, not in excess of $100, as may be provided herein." Would you not have to go into court to enforce that penalty?

Mr. LEE. Yes.

Senator NORRIS. You would have to go into court and set up this law, and under that law the Secretary has made such and such a law, and the man has violated that law.

Senator WHEELER. Exactly. Now, you have that penalty. Let me say this to you, Senator, that under the present existing rules of the

Interior Department and various other departments of our Government you have a provision that if you violate those rules and regulations of the department you can be sent to the penitentiary for it and sentenced to as long as 3 years in the penitentiary and to a $2,000 fine, because if you conspire, under the general conspiracy law, if you conspire to violate one of these regulations of the Department of the Interior, or these other cases—because I have prosecuted cases under them myself—you can send a man to the penitentiary for 3 years.

Senator **Norris**. You are sending him to the penitentiary in that case under a law of Congress, the law against conspiracy.

Senator **Wheeler**. No.

Senator **Norris**. There is no such law here.

Senator **Wheeler**. But you are sending him to the penitentiary for violation of a regulation.

Senator **Norris**. If it is conspiracy, it is not violation of a regulation, Senator. If it is conspiracy, then it is under the law governing conspiracy that the Congress has passed.

Senator **Wheeler**. I beg pardon, Senator, you will then have a conspiracy to violate a regulation, not a conspiracy to violate a law.

Senator **Norris**. All right, that is just the same as a law.

Senator **McGill**. This does not provide for punishment for a criminal offense.

Senator **Norris**. Well, now, I do not know about that. It is a penalty of $100.

Senator **Bankhead**. You would have to sue him for it.

Senator **McGill**. Not a fine.

Senator **Norris**. No; it is not a fine.

Mr. **Lee**. The maximum is $100. That just gives the Secretary discretion. For minor violations he could make the penalty less than $100. If you made it $100 flat, that would make it so that he would collect perhaps more than is necessary in some cases.

Senator **McGill**. He would have to bring suit to recover.

The **Chairman**. All right, Mr. Secretary, take up the next one.

Secretary **Wallace** (reading):

> (d) The Secretary of the Treasury is authorized to make such regulations as may be necessary to carry out the powers vested in him by this act, including regulations establishing conversion factors for any commodity and article processed therefrom to determine the amount of tax or duty imposed with respect thereto.
>
> (e) The action of any officer, employee, or agent——

Senator **McNary**. Pardon me just a minute there. Then there are two departments of government that have a right to fix this tax. What particular tax does this include—

> Including regulations establishing conversion factors for any commodity.

Does that mean the tax to convert wheat into flour, or dairy products into cheese?

Senator **Bankhead**. That same provision was in the allotment bill, and we approved it, that part of it.

The **Chairman**. Mr. Lee, will you explain just what that means there, that the Secretary of the Treasury is authorized to make such regulations as may be necessary?

Mr. **Lee**. There are several provisions in the bill—I will illustrate it, for instance, by the floor-tax provision on wheat. First you start out by imposing a tax on the processing of wheat. The moment that goes into effect there may be on hand large stocks of flour or other products of wheat. To prevent unfair discrimination, depending on the situation of the market, all your manufacturing excise statutes enacted carry the floor-tax provision. Now, the law sets forth that the tax shall be on wheat; it does not set forth the tax that would be on flour or other products of wheat, but that is to be established by conversion factors by the Secretary of the Treasury as to what proportionate part of the tax on wheat so much flour should bear or so much middlings or whatever it may be.

Similarly, take the case of a duty. You have a processing tax in effect on cotton. If you bring cotton into this country, the manufacturer who processes here will pay that tax, but if you brought in a cotton shirt, for instance, that cotton shirt should pay a sort of pro rata duty equivalent to the proportion of the cotton in it, so the Secretary by conversion factors would establish the proportionate duty on the basis of the existent tax on cotton that that shirt should pay. Those provisions are very common in your tariff laws. I imagine they run up into dozens where you propose a duty on the raw commodity and establish a duty on the finished product by conversion factors. The same process is involved here, because if you did not do that, then you would have to pick out every possible product of cotton and say what the duty would be on all those thousands of products that can be made from cotton if they are brought in.

Senator **Bankhead**. I call your attention to an omission. There is no duty on cotton as contemplated by this bill.

Mr. **Lee**. No. I say the processing tax on cotton, so that cotton domestically produced, processed here, pays a processing tax. Now, if you should bring in raw cotton—which is not likely, but if you should bring in raw cotton and have it processed here, that should also pay the processing tax to put it in an equally competitive situation.

Senator **Bankhead**. An occupational tax.

Mr. **Lee**. A processing tax. Six cents processing tax in this country, or 3 cents under this bill. Then raw cotton coming in or processed here also pays that tax. It does not matter whether the cotton be domestically produced or foreign produced, when it is processed here it pays that tax. But, supposing the importer instead of bringing in raw cotton brought in shirts or overalls, or most any product of cotton, and put them on the market, obviously they have got to pay a corresponding amount of duty equivalent to the tax that is being imposed here, or they would be able to undersell our own manufacturers; therefore, you allocate to that cotton shirt or those overalls under the conversion factor a duty corresponding to the cotton in them, proportioned to the existing processing tax in effect on the cotton.

The **Chairman**. That would apply to the wheat products?

Mr. **Lee**. That would apply to wheat, to any of its products.

The **Chairman**. All right, Mr. Secretary. The balance of this is in conformity with what you have already said, so start with section 11, please.

Secretary **Wallace**. The next is commodities:

SEC. 11. As used in this act, the term "basic agricultural commodity" means wheat, cotton, corn, hogs, cattle, sheep, rice, tobacco, and milk and its products, and any regional or market classification type or grade thereof; but the Secretary of Agriculture shall exclude from the operation of the provisions of this act, during any period, any such commodity or classification, type, or grade thereof if he finds, upon investigation at any time and after due notice and opportunity for hearing to interested parties, that the conditions of production, marketing, and consumption are such that during such period this act cannot be effectively administered to the end of effectuating the declared policy with respect to such commodity or classification, type, or grade thereof.

Senator MCNARY. Mr. Secretary, why did you arrive at that list? Of course they are basic, most of them. We had so much controversy over the recommendations in the House bill that we reduced it to just wheat and cotton. There has always been a terrible fight as long as the products are mentioned in the bill. The hog fellows and the cattle fellows and the sheep fellows and the wheat fellows all want to be out, while if it is at your discretion—the great testimony that we had on the allotment plan for days here was that the great majority felt they wanted the other bill.

Secretary WALLACE. Very much inspired testimony; you realize that?

Senator MCNARY. Well, I do not question the character of the testimony. We had representatives, reputable representatives, from various groups, feeders, and others.

The CHAIRMAN. Men actually engaged in the business, very sincere men.

Secretary WALLACE. Yes; I know.

Senator MCNARY. Now corn. Corn goes through hogs, doesn't it, Mr. Secretary?

Secretary WALLACE. Yes.

Senator MCNARY. Do you think it is necessary to mention corn when only about 1 percent of the 4,000,000,000 bushels raised could be exported?

Secretary WALLACE. It is necessary to control corn acreage if you are going to control the hog situation.

Senator MCNARY. In my experience I have found that the simpler you make a bill, the fewer commodities you include, the less opposition there will be, both here and on the floor. I am wondering why you increased that and if you believe it necessary to include these various commodities?

Secretary WALLACE. If it were confined to the allotment plan only, I would be dead against including a number of these commodities, because they are not on the export market. Sheep are not on the export market; in fact, we import nearly half of our wool. Beef cattle at present are not on the export market, although they are likely to be within 3 or 4 years from the present trend of production. Dairy products are not on the export market at the present time, although they are likely to be in 3 or 4 years from the present trend of production.

Senator FRAZIER. Are all those selling below cost of production?

Secretary WALLACE. They are all selling below cost of production, and the representatives of the producers at this meeting which was held last week indicated that they wanted these products in; as a matter of fact, in this case we followed their list absolutely. They were representatives of the organized producers.

Senator McNary. Was Mr. Katzenbury in that group?

Secretary Wallace. As a matter of fact, I was at a Cabinet meeting and was not there when this was worked out. Mr. Tugwell presided.

Senator McNary. I would like to know who gave you this list and why.

Secretary Wallace. Will you tell them, Mr. Tugwell?

Mr. Tugwell. The representatives of the farm organizations had a considerable argument about whether any list ought to be put in or not, on the theory that if any farm product was below parity price it ought to be raised to parity price, but after considerable argument about it they thought the Secretary of Agriculture ought to be protected to such an extent, because they were afraid that some very small producers might come in asking for relief, so they preferred to define the basic agricultural commodities, and I have the list which they submitted here. They seemed to feel that this was the way that it would operate best.

Senator Wheeler. After all, this is going to be within the discretion of the Secretary anyway.

Mr. Tugwell. It is going to be within his discretion. The only reason any list was put in was to protect the Secretary.

Senator McNary. If you are going to include all commodities, vegetables should come next to cotton, probably the same as cotton, larger than any other product of the soil.

Mr. Tugwell. But they are either not selling below parity price or not so far below that their organized representatives thought they ought to be included.

Senator McNary. Who is here representing them?

Mr. Tugwell. I do not think there was a representative of the truck growers present.

Senator McNary. I am not talking about the truck growers; I am talking about the canning industry. Every farmer has something to carry to town that goes into cans in some form. And hay is not included here, one of our great crops. Fruit is not included. You could not include them because they are excluded by reason of their omission. Do you not think you ought to have power to include other agricultural commodities?

Senator McGill. I think fruits should be included.

Senator McNary. I would not say that. We had it up some years ago in the old equalization bill, and we finally cut everything out and said agricultural commodities in the discretion of the Secretary. We left the broad power with him and kept down a tremendous amount of opposition. He could operate on any commodity that he believed would be benefited.

Senator Wheeler. I know some of the representatives of farm organizations have talked to me about it and some of them wanted it left wide open, but frankly, I do not think it ought to be left wide open because I think, after all, it is more or less of an experiment. The whole thing is bound to be an experiment, and some protection ought to be afforded the Secretary of Agriculture, and he has probably included it; as a matter of fact, they have included too many of them already.

Mr. LEE. Personally, that is the way I feel about it. I think that is one of the troubles the Farm Board got into, was having to set up cooperatives with 50 commodities, and if they could have restricted their operations to a smaller field I think they would have been much better off.

Senator WHEELER. If you can raise the price of the basic commodities, wheat, cotton, and corn, in this country, the rest of them will take care of themselves. If people would just get that into their heads, that as a matter of fact if you increase the purchasing power of the great agricultural products, such as wheat, cotton, and corn, your other commodities will come up. Now, I do not know that you can do it under this bill or any other bill.

Secretary WALLACE. Of course, with the origin of this as it is, with the farm folks having agreed to it, this representative group, I would feel bound to defend the list.

The CHAIRMAN. Would you prefer to have it as in the old debenture, equalization-fee class, that such commodities as in your discretion you thought should be brought up, rather than specify any?

Secretary WALLACE. Of course, there is plenty of pressure involved in the administration of this bill anyway, but that would open it up to very extraordinary pressure.

Senator WHEELER. Of course, as Senator McNary says, you might be able to get the bill through Congress easier if you left it wide open; then, of course, when you do specify in the bill you are going to meet with the situation that where they are specified, a great many people will take that as an absolute command on the part of Congress to put them in.

Senator McNARY. That is the reason why in the consideration of the House allotment bill we removed butter fat, rice, peanuts, and hogs and left in wheat and cotton, because we thought we would experiment for a year and operate on those two, and that lessened the fight a lot.

Senator WHEELER. But would it not be better to put in—I am just thinking out loud now—would it not perhaps be better to put in there just—

> All farm commodities, in the discretion of the Secretary?

Wouldn't you meet with less opposition then?

Senator McNARY. You remember when Coolidge vetoed the old Food Administration bill he said we were playing patriotism with the products that we mentioned in the bill; and to meet that opposition and meet his veto we passed it again, referring to all agricultural products. He vetoed it again, but not on that ground.

Senator NORRIS. In other words, he was going to veto it anyway, and he was just going to find something to veto it for.

Senator WHEELER. He wanted to stir up the vegetable growers against the wheat farmers.

Senator McNARY. Now, can I ask one more question on the termination of the act? The act is in full effect until it is repealed by promulgation of the President, is it not?

Secretary WALLACE. Yes; page 12, section 13.

Senator **McNary**. So it is indefinite in that regard.

The **Chairman**. Has not the President expressed the idea that he wants it just for one year? Is not that the object, to try this out just for one year?

Secretary **Wallace**. You have his message on it.

The **Chairman**. It is now about 1 o'clock, gentlemen. What is the pleasure of the committee as to meeting after lunch and completing the bill?

Senator **McGill**. I think we ought to do that.

Secretary **Wallace**. Might I ask that in that case Secretary Tugwell take my place, as I have an engagement at 2 o'clock?

Senator **McNary**. How can we finish the bill when we have got to take up and refashion the bill that passes the House?

The **Chairman**. I did not mean to complete the bill, but just the discussion of it. My language is unfortunate. I got into trouble yesterday by not using correct terminology. We will then meet at half past 2, if that is agreeable to the committee, half past 2 this afternoon, with the view of continuing the discussion of the bill. Of course, we will have to await the action of the House before we can act.

Senator **McNary**. May I ask this proposition: As soon as the hog fellow finds us here and the cattle man finds us here and so on, they will want to come here; are you going to have any hearings?

The **Chairman**. I will leave that to the committee, but I do not think so.

Senator **McNary**. They will be fighting vigorously any inclusion of cattle or reference to them.

The **Chairman**. But we had ample hearings on the very principles of this bill in the one that preceded it.

Senator **McNary**. We have the producers and the exploiters of the products mentioned in the bill, but we did not have—cattle were not mentioned in the bill; sheep were not mentioned in the bill; hence those representatives were not here, but the hog man was here.

Senator **Wheeler**. But this is a little bit different, and I do not think we should have hearings, because it is going to be within the discretion of the Secretary of Agriculture, and the Secretary of Agriculture will have to have those hearings, no matter whether we have hearings or not.

Senator **McNary**. I am only bringing that up because we have wires all day long from those people.

Senator **Wheeler**. Well, I think we ought not to have any hearings.

The **Chairman**. The committee will stand in recess until half past 2.

(Whereupon, at 12:50 p.m., a recess was taken until 2:30 p.m. this day.)

AFTER RECESS

The committee reassembled at 2:30 o'clock p.m., pursuant to recess.

The **Chairman**. The committee will come to order. Where did we leave off?

STATEMENT OF HON. R. G. TUGWELL, ASSISTANT SECRETARY OF AGRICULTURE

Mr. Tugwell. Mr. Chairman, a good many of the other provisions of the act from here on are the usual revenue provisions which are carried in most tax legislation.

Senator McGill. How is that?

Mr. Tugwell. They are the usual provisions that you find in tax legislation, such as supplementary provisions.

The Chairman. Well, you have got the determination of that and you have got the compensation taxes.

Mr. Tugwell. Yes.

The Chairman. And separability provisions. Of course, we have had floor stocks explained. Most of them understand that. Then we have exportations, existing contracts, collection of taxes. I think you had better take up that question of appropriations.

Mr. Tugwell. The proceeds derived from the tax imposed by the act are provided for as you see in this section. This is section 12, appropriations:

> (a) The proceeds derived from taxes imposed under this act are hereby appropriated to be available to the Secretary of Agriculture for rental and benefit payments and administrative expenses including refunds under this act.

And in the next section you will notice that the Secretary of Agriculture and the Secretary of the Treasury jointly estimate the amount to be appropriated, and this is advanced to the Secretary of Agriculture by the Secretary of the Treasury, and the amount of the advance is deducted from such funds as subsequently become available.

The Chairman. That means that after they collect the taxes as provided in this section they shall refund to the Treasury the amount advanced?

Mr. Tugwell. That is right. And if there should be a mistake there of any kind, it could be corrected under a subsequent collection.

The next section has to do with administrative expenses and provides that the Secretary of Agriculture shall transfer to the Treasury Department such sums as are required to pay administrative expenses and also such refunds as are made by the Department or agencies in the administration of this act.

The Chairman. Now, the termination of the act; I have understood from conversation I have had with the President—of course, this may cover it, but he said that he wanted to try it for one year. He said it is purely experimental, and if any provision was found to be workable he would continue it, and, if not, the whole thing would be terminated. Now, this language here—

> Shall cease to be in effect whenever the President finds and proclaims that the national economic emergency in relation to agriculture has been ended; and pending such time the President shall by proclamation terminate with respect to any basic agricultural commodity such provisions of this act as he finds are not requisite to carrying out the declared policy with respect to such commodity.

I was wondering if different wording there might not clarify it.

> That this act shall terminate at the expiration of a given period: *Provided, however,* That if the President finds proper, he may continue any one of the commodities which he thinks would be benefited by continuation of it.

Senator **McGill**. That is practically what it means now, Senator.

The **Chairman**. I know it does, but the language is such as to give the idea that it is a permanent thing, with certain provisions.

Senator **McGill**. With the provision that if the President finds certain facts to exist he would issue a proclamation, and that would end it.

Mr. **Tugwell**. Might I say, Mr. Chairman, that that was discussed at great length, both amongst ourselves and with the President, and the phrasing as you have it here seems to meet the wishes of most everybody. Everybody could see that 1 year might not be material, 6 months might be material, or a year and a half might be material, and it was thought best to leave it indefinite in this way, with discretion to withdraw the entire act, the provisions of the entire act or the provisions of any part of it at any time, in the discretion of the Executive. I might say also that it was felt that some provisions of the act it might be desired to leave permanently, unless Congress desired to repeal them; for instance, such arrangements as might be set up under the agreement section it might be desirable to keep if they seemed to operate well, and as a result of this whole discussion the President wrote this paragraph in his message, which you will remember:

> If a fair administrative trial of it is made and it does not produce the hoped-for results, I shall be the first to acknowledge it and advise you.

That paragraph was written with that particular thing in mind; I am sure that he wants the discretion to withdraw it very quickly if it does not seem to work and try some other mechanism if that seems to promise better or to terminate the whole business.

Senator **Norris**. Are you going to go through these by sections?

Senator **McGill**. I think we should.

Senator **Norris**. Why not commence right there, then?

The **Chairman**. We did. We commenced with the commodities wheat, cotton, corn, hogs, cattle, sheep, rice, and tobacco. We discussed that and we were down to section 12, and now he is discussing the first paragraph of section 15.

Senator **Norris**. Why does he not read section 12, Mr. Chairman?

The **Chairman**. He just got through with that. He read it.

Mr. **Tugwell**. Yes, Senator Norris; I read that.

Senator **McGill**. I do not believe Senator Norris had come in at that time.

Senator **Norris**. All right, go ahead. As I understand it, the Internal Revenue Bureau is going to collect the taxes?

Mr. **Tugwell**. Yes.

Senator **Norris**. And they are going to turn it into the Treasury of the United States?

Mr. **Tugwell**. Yes.

Senator **Norris**. And the Secretary of the Treasury, out of the Treasury of the United States, pays the necessary money to the Secretary of Agriculture?

Mr. **Tugwell**. Yes.

Senator **Norris**. And he pays it out?

Mr. **Tugwell**. Yes.

The **Chairman**. Now are there any other provisions that the committee would like to discuss?

Senator **McGill**. We have not been able to go through them, Mr. Chairman.

Mr. **Tugwell**. The separability provision which follows this is is of course, the usual provision.

The **Chairman**. That is all right. We do not care about that.

Mr. **Tugwell**. Exemptions and compensating taxes were talked of this morning to a certain extent. That is, of course, to provide against the import of processed commodities which otherwise would not pay the processing tax.

Senator **Norris**. I do not understand. You are down to section 15 now.

The **Chairman**. Yes.

Senator **Norris**. Suppose you read it.

Mr. **Tugwell** (reading):

> If the Secretary of Agriculture finds, upon investigation at any time and after due notice and opportunity for hearing to interested parties, that any class of products of any commodity is of such low value compared with the quantity of the commodity used for their manufacture that the imposition of the processing tax would prevent in whole or in large part the use of the commodity in the manufacture of such products and thereby substantially reduce consumption and increase the surplus of the commodity, then the Secretary of Agriculture shall so certify to the Secretary of the Treasury, and the Secretary of the Treasury shall abate or refund any processing tax thereafter imposed with respect to such amount of the commodity as is used in the manufacture of such products.

That section—that provision of that section—has to do with the prevention of the incidence of the tax falling on the producer, and allows discretion if it is found that the imposition of the tax causes consumption to decline.

Senator **Norris**. Can you give us an illustration of where that would apply?

Mr. **Tugwell**. Will you explain that, Mr. Ezekiel?

Mr. **Ezekiel**. Practically all of these products, certain portions of them are used for subsidiary products of very low value; for example, wheat, there is cracked wheat for chicken feed. This would permit the Secretary to exempt the processing of wheat for animal feed, or bran, from the tax on wheat.

Likewise a considerable quantity of cotton is used in the manufacture of bags which compete with paper, such as the bags they sell oranges in in retail stores. This would permit cotton used for such purposes to be exempt from the tax and would permit cotton to displace paper in those uses.

And in tobacco, certain low grades of tobacco are processed and manufactured in nicotine and other byproducts which would not be used unless they could be acquired at a low cost.

The **Chairman**. And in the manufacture of these byproducts, if we find that the imposition of the tax will so increase the price as to have a competitor used in the place thereof, they can remit the tax?

Mr. **Ezekiel**. That is right.

Senator **McGill**. In other words, it will be used to prevent the substitution of some other commodity for the commodity benefited?

Mr. **Ezekiel**. Yes.

Senator **Norbeck**. Can it be renewed as well as abolished, the tax, under the provisions of this law?

Mr. **Tugwell**. Yes.

Senator **Norris**. Now under subsection (b), part of the same section, explain that.

Mr. **Tugwell**. That exempts the home manufacturer from a processing tax.

Senator **Norbeck**. If it is for his own use, such as grinding his own corn?

Mr. **Tugwell**. Yes.

Senator **Norris**. Suppose he was making sausage, would he have to pay a tax?

Mr. **Tugwell**. Presumably he would, if there were no discretion.

Senator **Norris**. Do you think he would under that section?

Mr. **Tugwell**. He certainly would. We had considerable argument about that in the other farm bill, but it did not come up in connection with sausage, but it came up in connection with milling. The millers say that a considerable amount of milling in some sections of the country is done on home premises and sold among the neighbors locally, and so on, and they say that it might amount to a considerable amount if those people were not taxed.

The **Chairman**. If you want a storm, just impose a tax of that kind and see where you get. A farmer has two or three hogs and can dispose of them advantageously by putting them in the form of sausage and selling them, like I do, in the town of Sumter, and they say, " Oh, you have to pay a tax."

Senator **Bankhead**. Possibly the local butcher.

The **Chairman**. Yes. Then I would be in a fix.

Senator **Norris**. You did not hope that this bill would satisfy 100 percent, did you?

The **Chairman**. Well, I was trying to get it as satisfactory at 10 percent.

Senator **Norris**. Ought we not as much as we can encourage the farmer to get his products in as near the condition that they are going to be consumed as possible? For instance, if we go out here in this town in Maryland, right over the line, as I did several times in the winter, and buy—you can buy most anything that the farmer makes at home, and I mentioned sausage because you can go out there and buy sausage made by the farmer on his farm, and the wives of those farmers congregated and rented a storeroom in this town out here, and they come there three days a week where they have a big storeroom, two of them like this, and they will have sauerkraut and sausage and cakes and pies for sale.

Senator **Bankhead**. What is the name of that town?

Senator **Norris**. It is on Wisconsin Avenue, Bethesda. I have been out there several times, and it is a fine place. Now, the farmers' wives are there, and they sell all kinds of things that you need in a house. It is a good place to go, and why should not that business be encouraged?

Senator **Bankhead**. It ought to be encouraged.

Senator **Norris**. In other words, the farmer is getting the benefit of processing and partial manufacture of his product. He follows it through to the consumer.

Senator **Norbeck**. He collects this fee from the consumer when he sells his product.

Senator NORRIS. Yes; I suppose he does.

Mr. TUGWELL. It would be pretty hard to draw the line, Senator. I think it will establish itself.

Senator NORBECK. Most of those little items will never be noticed.

Senator NORRIS. Every one of the retail stores now—I was told they had trouble to get a location; the retail stores all interfered with them, but they finally got started, and after they got going the retail stores withdrew their objection because all these farmers drew other people into the retail stores, and they would take home a lot of stuff that they never could buy any other way.

The CHAIRMAN. Look at the controversy we had in the passage of the agricultural bill just this year, where they were trying to put certain restrictions on the home canner, because they were coming into competition with the established commercial canners.

Senator NORRIS. You can buy everything right out there. You can get canned goods put up in glass jars, meats, vegetables.

Mr. EZEKIEL. I would like to comment a little on the effect of that section, if I may. In case home processing were exempted from the tax, the farmers could butcher their hogs and sell the meat locally without paying whatever tax was imposed on the packers. That would result throughout the Corn Belt and around every city in a very large stimulation of that home processing, so that the tax collections on processing would not be adequate to cover the reduction in the production of farm products. Under the section as written, all that is intended is that farmers will be free to sell as they now do, and by levying the same tax that other processors pay it probably would be collected through a stamp which would show that any commodity sold at retail had the proper stamp affixed.

Mr. TUGWELL. It would put him in neither a better nor worse position than he is at present.

Senator NORRIS. Well, he has to be bothered with that regulation.

Mr. TUGWELL. It would be no worse than buying stamps for a letter.

Senator NORRIS. A man could not put a stamp on a piece of sausage.

Mr. TUGWELL. He could do something very similar. The Internal Revenue Department is used to working out problems of that sort. I anticipate it will be a good deal like the stamp, perhaps, that is put on a package of cigarettes as it is run through the factory operation; for instance, like a sack of flour that will have a number on it.

Senator NORRIS. Suppose you lived in town and you bought a chicken from a farmer and he brought it in dressed, would he have to pay a tax on it?

Mr. TUGWELL. My guess is that he would not.

Mr. EZEKIEL. Chickens are not under the act.

Senator NORRIS. I know you have not got chickens in here, but suppose he brought in a ham or something of that kind?

Mr. TUGWELL. Presumably he would have to pay a tax on it.

Senator NORRIS. I will bet he would.

Senator MURPHY. Suppose the tax were a cent a pound. On a 250-pound hog that would be $2.50 on the hog. That would make quite a difference to the butcher. Suppose he went out to the farmer and said, "Now, I will come out and slaughter these hogs on your own farm and haul them in."

Mr. **Tugwell.** It might have serious health repercussions.

Senator **Murphy.** Buy them from the farmers right there on the farm and slaughter them on the farm.

Senator **Norris.** Everything that we have been trying to do here; in fact, the cooperative movement is based on the proposition that we want to give to the man who produces the product all the profit there is in it till it reaches the man who consumes it. Cut out the middleman, in other words. Now, we are not doing it here.

Mr. **Ezekiel.** Senator, every hog producer would be taking advantage of a higher price for hogs caused by the control of production. That higher price would be maintained through a tax on the processor.

Senator **Norris.** It would cause a great deal of irritation. A tax collector, you know, is a fellow who is looked upon with suspicion and irritation. Every time I turn around I have got to pay a tax to somebody.

Mr. **Ezekiel.** I do not think that would be any irritation in comparison to the irritation to the packers by exempting the home slaughter of hogs and causing a great diversion of business to home processing.

The **Chairman.** We exempted all farm organizations from the operation of the Sherman antitrust law and the Clayton Act. We said: "Now, we are going to give you the benefit of this, as you are the primary producers of the raw material, and we are going to exempt you in your organization and in your profit sharing from the operation of the Sherman Antitrust Act."

Mr. **Ezekial.** Is not that a little different, Senator, giving them the right to organize and do for themselves a little different from giving them the outright benefit of a tax which might be as high as a cent or 2 cents a pound?

The **Chairman.** No; it seems to me this last would be more beneficial than the other, because they knew he would never come back.

Mr. **Ezekiel.** More beneficial, yes; but it makes a great deal of inequality. It is pretty hard to defend except on social grounds.

The **Chairman.** Then the genius of this bill is to keep the middleman there as a very fine place to tax him in between, and you can trim him good with a tax and therefore make him pay the farmer the rise in price, and impose the tax on the farmer and force him to go through the tax channel.

Mr. **Tugwell.** It works both ways, you see, Senator. You would tax the middleman for the benefit of the farmer, then you take the tax all off the farmer so the farmer gets the benefit of the tax and the rise in price, and also give him superior competition because he has no tax to pay. That is three times you favor him under that.

The **Chairman.** Yes; I would like to favor him about a dozen times. He might get some real favor out of the dozen.

Mr. **Ezekiel.** The real danger, Senator, under that is that if you enable the farmer to have the cake and enable him to eat it also by being exempt from the tax is that in the case of hogs particularly, so much of the processing might be diverted through tax-free channels that you would not collect the funds essential to make the act work.

The **Chairman.** Do you not think we would accomplish the purpose we have in mind if you did that, make the farmer process his own stuff and eliminate the middleman and get the farmer all the profit? Do you not think you would accomplish the purpose?

Mr. **Tugwell**. But you would not get the returns. If the hogs went through tax-free channels, you would not get enough money to return in benefits to the farmer to induce him to reduce production; so if you had just the straight production and it went through tax-free channels, there would not be any increase in price.

The **Chairman**. You know very well that no farmer or combination of farmers could ever approach one of these great packing plants. The amount that he would process and sell would be infinitesimal in comparison with the great slaughterhouses. I am paying 2 cents a pound right now in South Carolina to get my meats cured in order to avoid the warm spell that might come and spoil my meats.

Mr. **Tugwell**. Would you exempt cooperative associations, too?

The **Chairman**. I would pure farm cooperatives; yes.

Mr. **Tugwell**. Then you would exempt, for instance, the Land-O-Lakes Creamery, which is one of the biggest producers of butter in the country.

The **Chairman**. I would exempt all purely farm organizations, because then if they do not have sense enough to control their business, let them quit.

Mr. **Tugwell**. It seems to me you might run considerable risk of driving a good many people out of business.

The **Chairman**. Well, the point I am making is this: All the legislation that we have attempted since I have been here has been looking toward establishing farmer-owned and controlled cooperative concerns, and if we can accomplish that, which I do not think we ever will, but if we can approximate it, then the farmer would be in position to control his output, control the sale, and control the price. That is the ultimate object we have in view.

Mr. **Tugwell**. If I were making a suggestion, I would suggest that if you want to encourage cooperatives it might be better to do it in another way. This legislation here is primarily aimed at reducing production, and if you exempt the farmers from taxation you would be running directly contrary to the great intent of the bill. There is no question about that.

Senator **McGill**. I do not see where you would draw the line.

Mr. **Tugwell**. It is very difficult. If you exempt one farmer you would have to exempt cooperatives of farmers, and it would be very difficult to draw the line.

Senator **Norris**. If a farmer had a little machine with which he ground feed on his farm, ground up corn and sold it to some other farmer, traded it to him for something else, he would have to pay a tax, would he not?

Mr. **Tugwell**. If he sold it. Only if he sold it, and only for human consumption.

Senator **Murphy**. Very frequently the grinder just imposes a grinding charge.

The **Chairman**. Toll, they call it. I get all my corn ground that way.

Senator **Norris**. One of the things about a law that we ought to do, if we can, is to get one that will not have a lot of little aggravating technicalities that the farmer, who is not used to anything of that kind, will have to comply with. I am afraid he will be kicking like a bay steer over that.

Senator McGILL. If he wants to give his neighbor a part of a hog that he has butchered, he can do it.

Senator NORRIS. No; he cannot.

Senator MURPHY. Now, at home we have a central market, and you can go there and buy a dressed hog or a dressed calf or a quarter of beef or anything like that. The farmers back their automobiles and wagons up against the curbstone and we have three square blocks of those wagons in that market, three generations of truck farmers there, and we have the largest hog-raising community in our own county that there is in the United States, but I am wondering if the farmer out there is benefited a cent a pound on the processing charge, which would be $2.50 for a 250-pound hog, if you are not creating an incentive for him and all the other farmers in that neighborhood to slaughter their own hogs—and they raise a tremendous lot of them—and go into my town and into other near-by towns and say: "Here, we will sell you a dressed hog and save you 50 cents on your processing tax, which you will have to pay the packer, or we will save you more, we will split with you; we will keep $1.25 and we will give you $1.25." That is sapping at the main purpose of this law, which is to reduce production. It is giving the processor ground for complaint; it is giving the producer more.

The CHAIRMAN. Well, who can say what proportion—let us confine ourselves to hogs—what proportion of the hogs are sold and the freight paid; that is, as pork, from the packing plants? Most of it is cured. It comes out in the form of bacon, hams, shoulders. The farmer is not prepared to do that in a commercial way. He only sells what his immediate community will consume in the form of fresh pork.

Senator MURPHY. The butcher that he sells to is responsible for it.

The CHAIRMAN. Then you have got in the commercial form of making him pay the tax.

Senator NORRIS. Does anybody have any idea how much it would cost to collect these taxes from individual farmers all over the United States as compared with the amount of revenue they would get after it was collected? The revenue that they would get would be comparatively small, and they would have to have an army scattered around the country to make the collections.

Mr. TUGWELL. I do not think, Senator, that we are running into another prohibition-law difficulty here. I really do not. I think that there would be a good deal of discretion in the matter, and I would say that the man that took one hog to town and killed it, and did not know there was a tax would probably never find it out.

The CHAIRMAN. Oh, do not think that the butchers in town would not know it. He might not, but they would.

Mr. TUGWELL. They would if he sold it on the public market.

The CHAIRMAN. Now, you take in the city of Columbia; they have a curb market there, and that has revolutionized agriculture within 100 miles of Columbia. They bring in anything and everything and sell it there at certain hours of the day. For a while the grocers kicked against it, but they made an arrangement that whatever was left over in the evening and the day following that they were not there—they had certain days that they came in—the grocers bought this stuff, and now they are working harmoniously, and it has helped everybody. I never have seen such a success as that thing has been. They just give them about four squares right down on the market street.

Senator **Norris**. In modified form I think that is true of nearly every city in the country. They have the market down here and the farmers will come in with all kinds of stuff. Under this bill there would be certain products that he brings in that he would have to pay a tax on. The man that was selling on the curb down here at the market, if he sold pork, if he sold beef, he would have to pay a tax on every pound he sold. Well, one of the things that I am concerned about is, would we not get so much opposition, even though you concede for argument's sake that they ought to pay it—opposition to this petty tax being collected, a large portion of which will be consumed in the cost of collection—would we not be running into a swarm of trouble in our bill, getting a lot of dissatisfaction that we ought to avoid if possible?

Senator **Murphy**. There is no doubt that there would be a lot of irritation.

Senator **Norbeck**. How much tax would be collected?

Senator **Norris**. The smaller it is the worse the irritation would be.

Senator **Norbeck**. The Department would not get around to all these little fellows.

Senator **Norris**. But they would be liable to punishment. A man would come in with a whole wagon load of stuff, a small portion of which only would be taxable—he might have just a little pork, a little sausage, something of that kind, maybe only 10 percent of what he had, and the entire tax would be 10 or 15 cents, and he would have to pay that for somebody, somebody would have to be around there to get it, and it would cost more to get it than it is worth.

Mr. **Tugwell**. Might I suggest, Senator, that it might cost more than it would be worth to get that amount; but that amount is in the interest of a far greater amount which you are going to give them by reducing production, presumably.

Senator **Norris**. Yes; I concede all that.

Mr. **Tugwell**. We have thought over that a good deal, and we have not seen any way to draw a line.

Senator **Norris**. I think we drew a line in the McNary-Haugen bill. I forget now what the farmer could do on his home farm, but we gave him some leeway. He did not have to pay anything if he disposed of his stuff to some other farmer. I am not sure but that we fixed it on the amount of business that he did.

Mr. **Tugwell**. That would have to be a pretty detailed matter.

Senator **Norris**. It would be hard to frame something that would not be unjust.

Mr. **Ezekiel**. We considered the possibilities there and decided that if any definite limits were set up the problem of administering that exemption would require a tremendous force; that is, it would create more problems than the returns would justify.

Senator **Norris**. It would depend a good deal on the amount of exemption. If you had the exemption up so high, you would not pay any attention to these farmers coming in—eliminate them entirely. You would only have to watch the larger fellows that come in in the way of manufacture.

Mr. **Ezekiel**. The assumption in this discussion was that the stamp tax would be used, so that the only agency of collection might be the post office, and everybody would know that when a ham was sold it would have to have a stamp showing that the tax had been paid on that ham.

Mr. **Tugwell**. Administered in that way, it would not be such a nuisance.

Senator **Norris**. Now, suppose the law provided that you would have to have a stamp on every ham you sold and every pound of sausage you sold, I think that would strike the farmer pretty hard; and, whether it is right or not, I think the farmer would do a lot of complaining about that.

Senator **Norbeck**. Probably not any more than about the 1 cent on his cream can. He kicks a good deal about that—the 1-cent tax on his cream can and 2 cents on bank checks.

Senator **Bankhead**. Why not make it subject to slaughterhouse inspection?

Senator **Norbeck**. I was wondering, Senator, whether we could not agree on that. I do not want to criticize the bill. I think it is pretty well written; but I was just thinking that if the Department could be persuaded that it would be better to make it discretionary, you could rewrite the section so that it would be up to them where to draw the line. This law cannot be administered unless you give the Department a lot of leeway, and I am perfectly willing to give it to them.

Senator **Pope**. Mr. Secretary, you mentioned awhile ago that the processed commodities be limited to human consumption.

Mr. **Tugwell**. May I answer this question first? You would suggest that at the end of section (b) there a clause be added—" No tax shall be required to be paid on the processing of any commodity by the producer thereof on his own premises for consumption by his own family, employees, or household "—you would add a clause to read something like this: " or on the sale of commodities processed within the household, where the total annual sale is not more than " a certain amount?

Senator **Norbeck**. I would rewrite the section and say that the Department may make exemptions for a small quantity.

Senator **Norris**. Take that just as it is, it seems to me you have got more language in there than you need—" No tax shall be required to be paid on the processing of any commodity by the producer for consumption by his own family."

Senator **McGill**. By the producer on his own premises.

Senator **Norris**. Yes. Why don't you strike that out?

Mr. **Tugwell**. That might let in cooperatives.

Senator **McGill**. Strike out beginning with the word " by " in the second line, strike out the balance of it.

Senator **Norris**. One farmer might butcher a hog today and sell it out among his neighbors. That used to be quite common.

The **Chairman**. What about taking a wagonload of corn to the gristmill to have it ground into meal, as is done on my premises, and so on my neighbor's, and he processes it for toll; am I going to pay a tax on my own corn to bring it back home? No; let us get this thing straight now.

Senator NORRIS. That is right. I do not see any answer to that argument.

The CHAIRMAN. You just cannot do it.

Mr. TUGWELL. Yes; he would have to pay a tax on that, under the clause.

Senator NORRIS. Well, he ought not to. He is going to get it for his family.

The CHAIRMAN. He is going to haul it right back home for his own use.

Senator MCGILL. You cannot make your exemption too great, or you will not have any bill here.

Mr. TUGWELL. You could meet that by striking out "on his own premises."

Senator NORRIS. Yes; and that ought to be done. That ought to be done by all means.

Mr. TUGWELL. By the producer thereof, but for consumption by his own family, employees, or household.

The CHAIRMAN. Our people down there plant little patches of wheat—our section does not grow wheat except in little available spots that produce it. They will get 75 or 100 bushels of wheat and carry it to a flour mill, a commercial mill—here are four or five round about that ship in wheat, and they find it cheaper to ship it in from the West and process it there than they do to handle the flour, because they get all of the by-products and they make something out of that. Now they carry this wheat there and have it ground into flour for their home consumption and there you are again.

Senator MCGILL. They buy the wheat?

Senator NORRIS. This man that does not buy the wheat—now this is a common thing. A man raises wheat himself; he goes to a mill and he estimates that it is going to take so many bushels of wheat to keep his family in flour during the year. He takes that many bushels to this miller and he leaves it with him, and the miller grinds it and ships it away; but on the books of the miller this man is credited with so much flour. He gets so many pounds of flour, so many pounds of bran, so many pounds of shorts for every bushel of wheat that he takes there. But it is not his own wheat in the modern mill. We used to go to a mill and pay toll and get back our own product; we do not do that now.

The CHAIRMAN. No; you get back the equivalent.

Senator NORRIS. You get back the equivalent. Why should we tax that?

The CHAIRMAN. Yes; that is what I say. That is for home consumption.

Senator MCGILL. Why would you not meet the situation if you strike out beginning with the word "by", line 3, strike out the balance of the section?

Mr. TUGWELL. One of the things you want to get out is, "on his own premises"?

Senator MCGILL. Strike out beginning with the word "by" on line 3, and then strike out on line 2 "on his own premises."

Senator NORRIS. That still would not do it.

Senator **Bankhead**. In lieu of this, the Secretary of Agriculture may provide for regulation or exemption from the tax of commodities processed by the producer thereof, or processed by the producer for home consumption.

Senator **Norris**. Strike out the last clause would be better yet, Senator. Just stop with the period and strike out the last, where it commences with " or."

Senator **Bankhead**. You mean " or processed "?

Senator **Norris**. Yes.

Senator **Bankhead**. Suppose he takes it to a mill and has it processed and he does not process it himself? " The Secretary of Agriculture may provide by regulation "—that gives him time to work it out—" for exemption from the tax all produces processed by the producer thereof "—that is at home—" or processed for the producer for home consumption."

Mr. **Tugwell**. I think that is a good idea.

Senator **McGill**. That leaves it discretionary with the Secretary of Agriculture.

Mr. **Tugwell**. I like that. I think that is very good.

The **Chairman**. But you have not cured the point that was raised by Senator Norris, that he has got some sausage that he has processed at home, and has got some pork. You still have not reached that. This is all right as far as it goes.

Mr. **Tugwell**. Yes; this would fix that, would it not?

Senator **McGill**. No; he could not take his own sausage to town and sell it.

Senator **Norris**. No, he could not do that.

Mr. **Tugwell**. No; he cannot have his cake and eat it, too.

Senator **Norris**. The farmer has not had his cake for so long that I would like to see him get some.

Mr. **Tugwell**. This is a question of having it and eating it both.

Senator **Norris**. I would let him have it and eat it too.

Mr. **Tugwell**. I am afraid you cannot do that.

Senator **Norris**. He is at the bottom of this big pyramid and I do not want to make him mad if I can help it.

Senator **Pope**. I asked a question a minute ago in regard to processing for human consumption. Is that limited somewhere in the act?

Senator **Bankhead**. It says " by his own family, employees, or household."

Senator **Norris**. Well, I think we can include that now [reading]:

> The Secretary of Agriculture may provide by regulation for exemption from the tax on commodities processed by the producer thereof or processed for the producer.

Now strike out " for home consumption ", then you have met my point.

See if this is not right now:

> The Secretary of Agriculture may provide by regulation for exemption from the tax of commodities processed by the producer thereof, or processed for the producer.

Senator **McGill**. Well, that is all right for the farmer, but take it in my State, at Hutchinson, Kans., one of the largest millers in the State is also one of the biggest farmers. He will raise more wheat probably than any other one man in Kansas, and he will bring it right into his own mill and process it.

Mr. **Tugwell**. That, I think, would be a great encouragement to the factory farmers.

Senator **Norbeck**. The packers feed thousands of steers, too. Do they get in under this?

Senator **Bankhead**. I think they would, under Senator Norris' amendment.

Senator **Murphy**. If you open the door to exemptions here you are going to operate against the very end you seek.

Senator **Norris**. As modified, Senator, it would be up to the Secretary of Agriculture. He could fix a limitation.

Senator **McGill**. On that sort of a situation?

Senator **Norris**. He could meet your big fellow by putting a limit on it.

Senator **Bankhead** (reading):

> The Secretary of Agriculture may provide by regulation for exemption from the tax of all commodities processed by the producer thereof, or processed for the producer.

The **Chairman**. Of course, the Secretary could say "beyond a certain amount you can not go."

Senator **McGill**. I agree with you he could refuse to grant an exemption to one who was in the business of processing.

Mr. **Tugwell**. I am not a lawyer, as you know, but it is my understanding that an administrative official has no power to exempt from taxation anything. Is that true or not?

Senator **Bankhead**. This would be a legislative authority.

Mr. **Tugwell**. But can Congress delegate the power to exempt from taxation?

Senator **McGill**. We are delegating to you fellows to raise the tax and lower it.

The **Chairman**. Do we not delegate to the Interstate Commerce Commission the power to regulate the rates in interstate commerce?

Senator **McGill**. It would be necessary for him to have authority to deny exemption to a class, for instance, as in the case of persons engaged principally in some other business.

Senator **Bankhead**. I think it would have to be uniform. It would be questionable as applied to particular classes.

Senator **McGill**. Would it be uniform if you exempted those who were strictly engaged in the business of farming if you did not also deny exemption to one who was engaged in the two occupations, that of farming and processing?

Senator **Bankhead**. If you make exemption apply to all alike falling within a classification, it would be all right.

Secretary **Wallace**. Shall we adopt this then?

Senator **Bankhead**. I am for it.

Secretary **Wallace**. It reads then:

> The Secretary of Agriculture may provide by regulation for exemption from the tax of commodities processed by the producer thereof, or processed for the producer.

The **Chairman**. We will receive that tentatively.

Senator **McGill**. Could you not add something on there to this effect—no; I do not believe you could either. I was thinking of trying to reach these millers. Most every miller, unless he is in a city, is also engaged in producing.

The **Chairman**. Well, under the terms of that amendment the Secretary of Agriculture could promulgate a uniform order taking into consideration that very point.

Senator **Norbeck**. He could let it go until he saw the nuisance was developing, and then he could regulate it.

Secretary **Wallace**. Would you receive this, Mr. Chairman?

The **Chairman**. Yes; I will put that in here.

Senator **McGill**. And this other amendment that we had this morning, you are going to insert that, are you?

Senator **Norris**. Yes.

(Amendment 1-B, which appears in the morning session.)

Mr. **Tugwell**. Is there any need for discussing this, by the way? I think we all like it.

The next section has to do with the giving, the donation of agricultural commodities to charitable organizations, and exempt those commodities from the tax. Perhaps you will explain that, Mr. Ezekial? That is section (c) on page 14.

Senator **Norris**. Now this does not quite do what you say, I think. They have to refund that, give it back. Could we not exempt them from the tax so they would not have to pay it in the first place? Of course, nobody wants them to pay a tax on what they are giving away to charity, but under this language if they have it they would have to pay the tax and then recover it.

Mr. **Tugwell**. They doubtless buy these commodities out of the regular streams of commerce, and they would carry the tax in the price.

Senator **Norris**. They are already taxed.

The **Chairman**. Just like we did about this wheat. It was in the hands of the commercial crowd and we donated it then to the Red Cross; then when the donation was made we just refunded the tax.

Mr. **Tugwell**. Yes.

Mr. **Ezekiel**. Now section (d):

> The Secretary of Agriculture shall ascertain from time to time whether the payment of the processing tax upon any basic agricultural commodity is causing or will cause to the processors thereof disadvantages in competition from competing agricultural commodities by reason of excessive shifts in consumption between such commodities or products thereof. If the Secretary of Agriculture finds, after investigation and due notice and opportunity for hearing to interested parties, that such disadvantages in competition exist, or will exist, he shall proclaim such finding. The Secretary shall specify in this proclamation the competing agricultural commodity and the compensating rate of tax on the processing thereof necessary to prevent such disadvantages in competition.

It provides for putting on the appropriate tax, with this limitation:

> In no case shall the tax imposed upon such competing agricultural commodity exceed that imposed per like unit upon the basic agricultural commodity. The term "competing agricultural commodity" shall include, among others, rayon, silk, linen, and oleomargarine, and any basic agricultural commodity as to which a tax is not in effect under section 9.

Senator **Norris**. Why did you put that last sentence in, "shall include, among others," and so forth?

Mr. **Ezekiel**. The fundamental reason for putting that in was to make sure that rayon was covered.

Senator **Norris**. It was a question whether rayon, silk, and linen, and oleomargarine are competing?

Mr. **Tugwell**. As to whether they are really competing.

Mr. **Ezekiel**. In the case of rayon, it is processed from wood pulp, and the issue might be brought up that that is not an agricultural commodity, but under this plan it could be taxed.

Senator **Norris**. Competing agricultural commodities. Probably the same question might arise as to silk.

Mr. **Ezekiel**. Yes.

Senator **Bankhead**. Oleomargarine is in there, too.

Senator **Norris**. There might be a close opinion on that, too.

Senator **McGill**. The Secretary could raise or lower the tax under this section.

Mr. **Ezekiel**. Of course, the real objection there is in the case of cotton, if the tax were applied to cotton, to make sure that that would not enable rayon and linen and other commodities that compete with cotton to become too great a substitute for it, and this permits the tax to be placed on them to prevent such an excessive competition.

Senator **Norris**. What is the reason for confining it to competing agricultural products? What would be the objection to saying "competing products," no matter whether they were agricultural or not?

Mr. **Ezekiel**. I believe you are right there.

Senator **Bankhead**. You ought to have jute in that list if you are going to enumerate them.

The **Chairman**. Just the term "competing commodities" is what you ought to have.

Senator **Norris**. It is used several times. It is right on the first line "competing agricultural commodity."

Senator **McGill**. Make it "competing commodities." Strike out the word "agricultural" in line 15, page 14.

The **Chairman**. And line 1, page 15—"domestic processing of such competing commodity."

Senator **Norris**. And line 22, page 14.

Mr. **Ezekiel**. And line 15 also.

Senator **Norris**. If you strike it out one place, you ought to strike it out all the way through the section, so it will be "competing commodities" everywhere. Then from the period in line 7, on page 15, you could strike out the balance of the section.

Senator **McGill**. Yes; you could.

The **Chairman**. What line is that?

Senator **Norris**. From the period there on line 7, page 15, you could strike out the rest of it.

The **Chairman**. Yes; that is right.

Senator **McGill**. And strike it out in line 15 and line 22, page 14.

Senator **Norris**. Strike it out in line 1, line 4, lines 6, 7, 8, and 10, page 15.

Senator **McGill**. I think that is a good amendment.

The **Chairman**. I do not exactly understand the next one—floor stocks.

Senator **Norris**. They are going to tell us about that right now.

Mr. **Ezekiel**. Shall I read the section, Mr. Chairman?

The **Chairman**. Is that computed in terms of the number of bushels of wheat that it took to produce the flour?

Senator **Norris**. Let us have him read it, Mr. Chairman.

The **Chairman**. You have charge of that, Mr. Ezekiel?

Mr. **Ezekiel**. I am speaking for the Secretary now. [Reading:]

> Sec. 16. (a) Upon the sale or other disposition of any article processed wholly or in chief value from any commodity with respect to which a processing tax is to be levied that on the date the tax first takes effect or wholly terminates with respect to the commodity is held for sale or other disposition (including articles in transit) by any person other than a consumer or a person engaged solely in retail trade, there shall be made a tax adjustment as follows——

Senator **Norris**. That is rather complex to me, that language. I do not quite understand it.

Mr. **Ezekiel**. This is the idea of that, Senator: If at the time the processing tax on wheat goes into effect the wheat miller and the wholesale baker should have on hand any considerable quantity of flour milled without payment of the tax, if no provision were made for a tax on that, they would try to mill ahead enough to last, say, half a year, just like they try to bring in goods before the tariff is levied, so it is customary in a revenue tax of this kind to insert a provision prohibiting them from evading the tax by processing ahead of time. A similar provision is in many of the manufacturers' taxes already passed by Congress, and this simply says that whatever they hold at that time has to pay a corresponding tax, even though it is a processing tax.

Senator **McGill**. They would have to pay a tax on the wheat or the flour, either one?

Mr. **Ezekiel**. Yes.

Senator **Norris**. They just take the stock they have on hand and make them pay the same tax as though they had purchased it after the tax went into effect.

Mr. **Ezekiel**. That is the point; yes.

Senator **Norris**. Now, tell us how that is going to be done, where it says it shall be taxed.

Mr. **Ezekiel**. Section 1 covers that:

> Whenever the processing tax first takes effect, there shall be levied, assessed, and collected a tax to be paid by such person equivalent to the amount of the processing tax which would be payable with respect to the commodity from which processed if the processing had occurred on such date.

Then section 2 following is a corresponding provision providing that at the time the tax is wholly terminated they will get a refund for the stocks on hand on which the tax has already been taken—

> Whenever the processing tax is wholly terminated, there shall be refunded to such person a tax (or if it has not been paid, the tax shall be abated) in an amount equivalent to the processing tax with respect to the commodity from which processed.

It is equitable both ways. If they have a commodity without tax and the tax goes into effect, they pay the tax; if they have already paid the tax for processing, and the tax is taken off, they get that. So it maintains the equity on both ends and prevents undue speculation, either in anticipation of the placing of the tax or elimination of the tax.

Then section (b) provides:

> Notwithstanding the provisions of subsection (a), such subsection shall apply with respect to such portion of retail stocks on hand at the date the processing

tax takes effect as is not sold or otherwise disposed of for consumption within 1 month after such date.

The effect of that is that retail stocks are exempt, but if some retailer, like a big department store, should buy a great lot of cotton goods, enough to run him for a year, he would have to start paying taxes on them after 1 month. One month sales are exempt from the payment of the tax. That would prevent the excessive accumulation of stocks prior to the imposition of the tax.

Section 17 covers exportations:

> (a) Upon the exportation to any foreign country (including the Philippine Islands, the Virgin Islands, American Samoa, and the island of Guam) of any product with respect to which a tax has been paid under this act, or of any product processed wholly or in chief value from a commodity with respect to which a tax has been paid under this act, the exporter thereof shall be entitled at the time of exportation to a refund of the amount of such tax.

The object there, of course, is to make the tax apply to domestic consumption, but to permit flour or cotton goods and so on to continue to move in foreign trade at world prices.

Section (b):

> Upon the giving of satisfactory bond for the faithful observance of the provisions of this act requiring the payment of taxes, any person shall be entitled, without payment of the tax, to process for such exportation any commodity with respect to which a tax is imposed by this act, or to hold for such exportation any article processed wholly or in chief value therefrom.

The **Chairman**. That is exactly the same principle we have in the tariff law, where it is bonded in transit.

Mr. **Ezekiel**. Yes. Now, Mr. Chairman, section 18 covers existing contracts, which was discussed to some extent this morning. Do you wish to have that read again?

Senator **McGill**. Let us go through it section by section.

Mr. **Ezekiel**. Section (a):

> If (1) any processor, jobber, or wholesaler has, prior to the date of approval of this act, made a bona fide contract of sale for delivery after such date of any article in respect of which a tax is imposed under this act, and if (2) such contract does not permit the addition to the amount to be paid thereunder of the whole of such tax, then (unless the contract prohibits such addition) the vendee shall pay so much of the tax as is not permitted to be added to the contract price.
>
> (b) Taxes payable by the vendee shall be paid to the vendor at the time the sale is consummated and shall be collected and paid to the United States by the vendor in the same manner as other taxes under this act. In case of failure or refusal by the vendee to pay such taxes to the vendor, the vendor shall report the facts to the Commissioner of Internal Revenue, who shall cause collections of such taxes to be made from the vendee.

This provision also is taken from the internal revenue law and is the customary provision.

Senator **Norbeck**. Is there not danger that contracts will be made immediately for the purpose of defeating the law?

Mr. **Ezekiel**. No, Senator; I believe it will work this way: The contracts would have to read that in case the United States should impose such processing tax any payment of that processing tax by the seller is specifically prohibited. As a matter of fact, contracts which have been discussed to date have been contracts by which the buyer agrees to pay the tax if the tax is added.

Senator **Norbeck**. You do not feel that there is any danger of a large quantity of any commodity being handled by the contractor?

Mr. **Ezekiel**. Not so far as I am aware; in fact, I believe the customs of the trade will very rapidly adjust themselves, and this simply enables them to adjust themselves without undue loss, by reason of not knowing ahead of time that the act would be passed.

Senator **Norris**. Of course, the contract that was made before the act is passed would not contain any provision of that kind. Is there any doubt about our being able to collect the tax from the man who did the buying?

Mr. **Ezekiel**. I understand not, Senator. I understand there will be no difficulty.

Senator **Norris**. I was wondering—suppose I had bought of the Senator here something, and just assume for the sake of argument it was all done in good faith; I had made a contract to buy so-and-so to be delivered to me at some future date, and on both sides it was a contract entered into in good faith, but the amount that I was to pay was specifically stipulated; in the meantime along comes the Government and levies this tax; would you make me pay it? Could I not say: "Here is my contract. I am ready to comply with it. I cannot pay any more. I am only bound to pay what I have agreed to pay, and you are going to make me pay something more."

Senator **Norbeck**. Senator Norris, I am not going to argue about the legal points; but suppose that at the time of the enactment of the income tax law contracts made a month before the law got caught in it—the law was retroactive in its effect, was it not?

Senator **Bankhead**. Would not the remedy be by revocation of the contract?

Senator **Norris**. He might even be damaged in that case, you know.

Senator **Bankhead**. Not if the contract reserved the right in the Government.

The **Chairman**. Could you violate a contract by an ex post facto law?

Senator **Bankhead**. Not violating the contract, not between the parties; no. The seller goes on and delivers.

The **Chairman**. Suppose I go out and sell tomorrow goods at a certain price; I do it without any intimation that I am going to have to pay this tax; I have computed all the costs, every one that was then in existence, and I sell the goods with that knowledge and on that basis. Now, was not the law subsequent to that transaction? The law imposes a tax on me and destroys my property.

Senator **Bankhead**. No; it does not impose it on you, Senator. If you cannot collect it from the other man, you are not chargeable with it under the law.

The **Chairman**. But the other man would have to pay it.

Senator **Bankhead**. That does not bother me.

The **Chairman**. That just shifts it to the other fellow.

Senator **Bankhead**. But you deliver according to your contract.

The **Chairman**. I deliver, and he is exempted from any other payment according to the contract, and suppose he has not got the wherewithal to pay it?

Senator **Bankhead**. I think the man who makes any sort of a contract, just like in interstate shipment, the Supreme Court has decided that if a man makes a contract with the railroad, the initial carrier says it is not liable, but the law comes along and makes it liable, and the Supreme Court says anybody that makes a contract is subject to the exercise of the entire remedy of the law.

Senator **Norris**. But I am thinking whether the purchaser——

Senator **Bankhead** (interposing). I think he might revoke it.

Senator **Norris**. He may not want to revoke it. It may cause him a lot of damage to revoke. I do not think it applies to one party more than another.

Mr. **Ezekiel**. If I may comment on the question of the Senator, as an economist, not as a lawyer—I cannot pass on it from a legal standpoint—but from the economic side. Everyone else who is buying flour, say, has to pay a higher price caused by the imposition of the tax, so that even though the purchaser has to pay a tax which he had not anticipated at the time he made the contract, all of his competitors are paying a tax on the current basis and he is thereby able to protect himself in the price at which he sells the flour.

Senator **Norris**. It may be that a man way beyond him is going to hold him up. For instance, when he bought the flour he may have contracted to sell it after he bought it to a hundred different people, if he is a large dealer.

Mr. **Ezekiel**. Existency contract section applies clear down the line.

Senator **Norris**. He could not make them pay him anything in addition to what they had agreed to pay.

Mr. **Ezekiel**. I believe he could, under the section. It applies to any processor, jobber, or wholesaler. It goes right down the line.

Senator **McGill**. So far as the contract does not prohibit the collection of the tax; but does not that change the terms of the contract, the very fact that we impose the tax?

Senator **Bankhead**. It does not change it between the parties.

The **Chairman**. Why could not the law be made to read that it is applicable to such contracts as were made subsequent to the passage of the act?

Senator **Norris**. I suppose they want to make it impossible for a whole lot of fellows to make these contracts in anticipation of the law and in that way escape the tax. Is that the object of it?

Mr. **Ezekiel**. The major object is to prevent injustice and the breaking down of true contracts that were made prior to that time. For example, suppose a cotton spinner had made a contract to deliver cloth and had hedged that contract by the purchase of futures, and then the tax came along and the amount of that tax was added to the purchase price which you had anticipated paying when you bought the cloth, this is so drawn as to protect the man who had in good faith entered into such a contract and to make necessary adjustments which the contracts would require. The entire wording is already in the Internal Revenue Act. It is based exactly on what has been done heretofore in the Internal Revenue Act when similar business was involved.

Senator **Norris**. In subsection (b) you say:

> Taxes payable by the vendee shall be paid to the vendor at the time the sale is consummated and shall be collected and paid to the United States by the vendor.

Why not have the vendee pay direct to the United States?

Mr. **Ezekiel**. That should be clear in the text. If the purchaser is willing to assume the payment of the tax, he simply pays the tax to the processor and the processor pays the tax to the United States in the usual manner; but in the few cases where the purchaser refuses to assume the payment of the tax, in those cases the processor does not have to advance the funds himself, but he merely so reports to the Bureau of Internal Revenue and leaves it in their hands. It relieves the processor of the necessity of advancing the funds for the tax where the purchaser is unwilling to assume the obligation.

The **Chairman.** What provision do you make if the tax is imposed—suppose the purchaser goes out to purchase his raw materials; suppose he does not have the capital to pay that additional price that the tax brings up; do you expect the R.F.C. to furnish him the money to meet that situation?

Mr. **Tugwell.** He is made eligible to borrow, under section 5 of the Reconstruction Finance Act—just made eligible—the R.F.C. is not forced to do it, but he is just made eligible.

The **Chairman.** Well, I am thinking of this: Suppose a cotton manufacturer has committed himself to buy cotton, and he has now got to pay $10 or $15 a bale more for the cotton than he otherwise would have to pay, and that goes into effect immediately and with the condition of the times, unless he is given some opportunity to readjust his contracts, because the consumer has got to pay that thing, and, as I say, he has sold ahead; now he has got to pay more for his raw material and he has got to make contracts now at a higher price for his finished product to absorb the tax, and if he cannot get the money he will stop, just shut down his factory.

Mr. **Tugwell.** That is the reason section (c) on page 18 was written.

The **Chairman.** Section (c) on page 18. I looked at that a minute ago.

Mr. **Tugwell.** Did you read the section above that, too?

The **Chairman.** Yes.

Mr. **Tugwell.** The end of that says:

> That the Secretary of the Treasury is authorized to permit postponement, for a period not exceeding 60 days, of the payment of taxes covered by any return under this act.

The **Chairman.** What page is that?

Mr. **Tugwell.** Page 18.

The **Chairman.** "That the Secretary of the Treasury is authorized to permit postponement"—yes; I did not notice that.

Mr. **Ezekiel.** As a matter of fact, Mr. Chairman, I am informed by the Bureau of Internal Revenue that their practice is to require a monthly statement, and then the payment of taxes at the end of the month on that statement, so that processor will have on an average 15 days anyway. This gives him an additional 60 days, which would give him in most cases time to receive payment. Then there is the further provision for a loan from the Reconstruction Finance Corporation.

Senator **Murphy.** He would be assessed before collection.

Mr. **Tugwell.** It would be based on monthly returns. That would give him enough time, possibly 60 days. Do you care to have the whole of that section 19 read, covering that collection of taxes? It is the usual revenue provision.

The **CHAIRMAN**. Now you have got section (c). I skipped that. Now, under (c) it provides:

> In order that the payment of taxes under this act may not impose any immediate undue financial burden upon processors, any processor subject to such taxes shall be eligible for loans from the Reconstruction Finance Corporation under section 5 of the Reconstruction Finance Corporation Act.

That is that emergency feature of the Reconstruction Finance Corporation Act. That is left optional with them, I presume.

Senator **NORRIS**. They do not have to loan it.

Senator **McGILL**. We cannot afford to make it compulsory.

Mr. **TUGWELL**. I do not think you want to make it any stronger than that. Now the last section, section 20, has to do with compensating duties.

> SEC. 20. (a) During any period for which a processing tax is in effect with respect to any commodity there shall be levied, assessed, collected and paid upon the importation, from any foreign country into the United States, of goods processed or manufactured wholly or in chief value from such commodity which, if domestically processed, would be subject to a processing tax, a duty equal to the amount of the tax which would be payable with respect to such domestic processing at the time of importation. Such duty shall be in addition to any other duty imposed by law.

The **CHAIRMAN**. That is very plain, that a Democratic administration is coming in and imposing a protective tariff. Very nice. [Laughter.]

Senator **McGILL**. If you do not have it, they would flood our market here easily.

Senator **NORRIS**. These Democrats are just as good protectionists as anyone.

The **CHAIRMAN**. And they find it very necessary when it affects them.

Mr. **TUGWELL**. Mr. Chairman, you asked for a list of the farm organizations this morning. I brought it here this afternoon [handing a paper to the chairman].

The **CHAIRMAN**. Now, if it is agreeable to the committee, we will stand adjourned.

Senator **McGILL**. Just a minute. Is there a provision in this bill—there should be at least—that if there is any part of it that is unconstitutional?

Mr. **TUGWELL**. Yes.

Senator **McGILL**. What about these salaries back here? Do you want to take that up and amend it?

The **CHAIRMAN**. We will meet again. This is just preliminary, to get a birdseye view of the bill. When the House passes it and then the amended form or the form in which it comes from the House, it will be referred then to this committee.

Senator **McGILL**. I just want to make it clear that I want to do something to fix those salaries.

Mr. **TUGWELL**. May I speak about the salary business off the record?

The **CHAIRMAN**. Yes; certainly.

Senator **POPE**. My thought would be to make that $10,000 for anyone and then the maximum number.

Senator **NORRIS**. If you raise that to $10,000, it seems to me you ought to limit the number.

Mr. **Tugwell**. I would rather you would not do that, if you do not mind. I do not think we want too much discretion.

Senator **Pope**. Then limit the number.

Mr. **Tugwell**. I would rather you would limit the number and let us have a little higher limit.

Senator **Norris**. Have you any other man in mind?

Mr. **Tugwell**. Yes; we will have to have a chairman and the head of every commodity group will have to be a very active man in the trade, and we will probably have 6 or 7 of those. We ought to have at least 8 or 9 people to whom we can, if we have to, pay as high as, we think, $13,000 a year. We have done some figuring on it, and we believe that that is kind of an odd figure, but we believe we can get anybody for that. We do not believe we can get them for $10,000.

Senator **McGill**. And for those particular ones the expense would be a little over $100,000?

Mr. **Tugwell**. Yes.

Senator **McGill**. And how many others are going to be involved?

Mr. **Tugwell**. That is all.

Senator **McGill**. You think you will not have anyone else on salary at all?

Mr. **Tugwell**. Yes; but not any such salary as that.

Senator **McGill**. I am trying to get at the expense. How much would be involved in the way of salaries, in your judgment?

Mr. **Tugwell**. It is rather difficult to foresee, because you would have to have a good deal of preliminary work done in the way of organization. You see you have got to organize local committees, you have got to set up cooperation with the States, provided this is done on the rental and State cooperative plan—it might not be in some instances. Then you have got to have all these contacts made, you see, all the way up to Washington; then in Washington you have got to have your commodity chief, you have got to have a chairman, and you have got to have an adequate staff for them just as you would have to have a counsel and have people to do research work in prices, and so on. You would have to have a staff for these hearings, which we have provided for, and all that. I should say we would probably have 50 people here in Washington.

Senator **Pope**. So far as I am concerned, I would be in favor of putting a maximum limit, whatever we might agree upon, there instead of leaving it open to have 10 for whatever price might be paid. I think if we do not do that, it is going to hurt the bill. It certainly will. It is going to affect the carrying out of the law and public approval of it.

Senator **Norris**. Fix a limit as to the salary and not as to the number.

Senator **Pope**. Yes; I think we might do both, if they know about the number they will have.

Mr. **Tugwell**. Do you not think it would look worse to have $13,000 in the act than it would to leave it open?

Senator **Pope**. No; I will be perfectly frank about it; I would not leave that open there to pay $50,000 or $75,000, depending upon the Secretary of Agriculture or anybody else. I would put it in there so that people would see what they are getting.

Mr. **Tugwell**. That is perfectly all right with us.

Senator **McGill**. I think it would be well for us to get as close an estimate as we can to how much the expenses are going to be involved in the administration of this law.

Mr. **Tugwell**. It will be very difficult for us to give it to you inside of a week. We are working on it now, but you understand the difficulty of getting that.

Senator **McGill**. You want this thing passed before a week?

Mr. **Tugwell**. I am afraid we cannot get it to you inside of that time, and a good deal depends, not on the Secretary and on me, but upon the big men we persuade to come and administer this.

Senator **McGill**. Senator Pope had the public psychology in mind, I think. How is it going to affect the people, the farmer? The reaction among the farmers to the Farm Board and the Grain Stabilization Corporation, a great deal of it was due to the enormous salaries that were paid and the expense involved in administering the law, and they were not making anything out of it.

Mr. **Ezekiel**. If I might suggest, Senator, the Senator's suggestion could be incorporated by putting at the end of that section a general provision that in no case shall any salary paid under this act be in excess of $13,000.

Senator **Pope**. Yes; that would do it.

The **Chairman**. I would much prefer, if it was possible, to have a list of the officers that would be necessary, and to fix by statute their compensation.

Mr. **Tugwell**. That might vary greatly from time to time, Senator, and from season to season. That would be a very great burden on the administration.

The **Chairman**. But I tell you it would be more satisfactory to the public.

Senator **Norris**. I think a $13,000 salary would be looked upon with a good deal of fear by the farmers of the country.

Senator **Pope**. I think so. I think it ought to be left at $10,000.

Senator **Norris**. If I were going to put a limit on it, I would not exceed $10,000, then I would like to put the number in, so that there could not be too many of them.

Senator **Murphy**. $13,000, Senator, is $11,000 after the 15 percent deduction.

Senator **Norris**. Yes.

Senator **Bankhead**. I do not suppose the 15 percent applies to employees with that salary since the passage of that act.

Senator **McGill**. This law would be a later enactment, and I do not think it would apply.

Senator **Murphy**. The way I look at it, we are putting tremendous responsibility on the Agricultural Department, tremendous responsibility. Now, I know Mr. Wallace personally. Mr. Wallace himself is a poor man, and I don't believe there is anybody in the United States more unselfish and more sincerely devoted to an effort to serve agriculture. I think there is not a man in the United States who has a better realization of the state of mind of the farmer and the distress that he is in, or would be more sensitive of the criticism of the salaries paid in his Department.

Mr. **Tugwell**. I am sure that is true.

Senator **Murphy**. I sincerely believe that has to do with the discussion Secretary Tugwell asked to keep off the record.

Senator **Pope**. It does seem to me that a limitation of $10,000 for salaries ought to be fixed, Mr. Chairman.

Mr. **Tugwell**. Well, I do not know. Maybe we can get them for $10,000, but if we found a man that we felt could do it, we would not like to stop for $1,000 or $2,000. I do not think it would pay to do it. I think it would be a mistake.

Senator **Murphy**. I agree with you.

The **Chairman**. Well, you know that was exactly the same argument used by the Stabilization Corporation, that they should guarantee a man $25,000 a year.

Mr. **Ezekiel**. Might I suggest that the counsel for this new organization will not only have to write regulations for these commodities but will also probably have to fight a test case through the Supreme Court to determine the constitutionality of the whole operation, and that requires a very able man.

Senator **Norris**. Would not the Department of Justice have to carry that case to the Supreme Court?

Mr. **Ezekiel**.. They might, but the legal staff of the Department would assist in preparing the case.

Mr. **Tugwell**. At any rate, we are in your hands.

The **Chairman**. Gentlemen, as the House this afternoon is working on the bill and under the law it has to originate there, the committee will stand adjourned, subject to the call of the chairman.

Senator **McGill**. We will have a meeting after the House bill comes over?

The **Chairman**. Yes.

(Whereupon, at 4:30 o'clock p.m., the committee adjourned to meet at the call of the chairman.)

AGRICULTURAL EMERGENCY ACT TO INCREASE FARM PURCHASING POWER

FRIDAY, MARCH 24, 1933

United States Senate,
Committee on Agriculture and Forestry,
Washington, D. C.

The committee met, pursuant to call, at 2 o'clock p.m., in its committee room in the Senate Office Building, Senator Ellison D. Smith presiding.

Present: Senators Smith (chairman), Wheeler, Thomas (Oklahoma), McGill, Bankhead, Caraway, Bone, Murphy, Pope, Norris, McNary, Capper, Norbeck, Frazier, and Shipstead.

The Chairman. The committee will come to order.

Senator Thomas wants to make a brief statement before the witnesses are called.

Senator Thomas. Mr. Chairman, my State of Oklahoma is primarily a farming State, and in order to acquaint myself of the facts at first-hand I sent a telegram to two of the leading farmers in Oklahoma asking for a statement of the price that farmers are getting for their main commodities, the main commodities being cotton, wheat, corn, and oats. I have a wire from one of them, Mr. A. E. Cobs, who is the head of the Oklahoma Cotton Growers Association, giving me these figures.

At the present time the farmers are getting 6.11 for their cotton at Houston, Tex.

Senator Norris. What do you mean by 6.11?

Senator Thomas. Six cents and eleven one-hundredths, a little over 6 cents a pound, at Houston, Tex. That means they must plant the cotton, chop it, pick it, have it ginned, and transport it to Houston, Tex., to get their 6.11 cents.

The Chairman. That is basis middling, 7/8-inch staple.

Senator Thomas. Here is a pound of cotton; I don't know how to describe it to get it in the record but it is enough to fill a fair-sized pillow, ginned cotton, and the farmer has to raise this much and send it to Houston, Tex., 4 or 5 hundred miles, to get 6.11 for that much cotton.

At the present time wheat in my State is selling at 31 cents a bushel to the farmer. There are 60 pounds of wheat to the bushel. Here is 2 pounds of wheat.

Senator Norris. Senator, where do you say?

Senator Thomas. Oklahoma City.

Senator Norris. How much?

Senator Thomas. Thirty-one cents to the farmer.

Senator **Norris**. What grade?

Senator **Thomas**. I don't know the grade; an average grade, I presume. Here is a sack containing practically 3 quarts of wheat that the farmer has to plant, cut, thresh, and haul to the elevator to get 1 cent for it.

Senator **Norris**. Senator, will you let me interrupt you there to say I am surprised that the price is so high? It must be in the eastern part of the State, isn't it?

Senator **Thomas**. Oklahoma City is in the central part of the State.

Senator **Norris**. I haven't looked at the price recently but when wheat was at its lowest, when I was home, wheat in my home town was selling there, farmers about there delivering it into town, for 24 cents a bushel only.

Senator **Thomas**. Wheat has gone up several cents a bushel in the last six weeks.

Senator **Frazier**. Five or six cents in the last couple of weeks.

Senator **Thomas**. It has gone back down 4 or 5 cents in the last few days. The information I have is that the corn is selling to the farmer for 28 cents a bushel. I have here a sack containing 2 pounds of yellow corn. It is more than a quart of shelled yellow corn, and the farmer has to plant his corn, plow it and shuck it and shell it and take it to market to get a penny for that sack of yellow corn.

Oats in my State are selling for 15 cents a bushel. There are 32 pounds of oats in a bushel. The farmers of Oklahoma must sow their oats and cut them, thresh them, deliver them to market to get a cent for 2 pounds of oats. I have here a sack of more than 2 quarts of oats that the farmer must produce and take to market to get 1 cent for it. I want the committee to see these samples of commodities which affect my State. I submit them as positive evidence that the farmers can't live under these prices.

The **Chairman**. Is Mr. Simpson present, Mr. John Simpson? He is not here.

I will call, first, Mr. George M. Peek.

STATEMENT OF GEORGE M. PEEK, MOLINE, ILL.

The **Chairman**. Mr. Peek, you have been invited here to give testimony in reference to this bill. You are familiar with the terms of the bill. You may proceed in your own way to state your attitude toward it and your reasons for that attitude.

Mr. **Peek**. Mr. Chairman, would you like to have me address my remarks first to the bill that passed the House or to the substitute that was offered?

The **Chairman**. In order that the record may show, I think Mr. Peek ought to tell us who he is. Give your full name, your address, and your business occupation.

Mr. **Peek**. George N. Peek, Moline, Ill. I am not in active business. I am here today at the request of the Secretary of Agriculture to testify before the committee.

The **Chairman**. What was your business before you retired, Mr. Peek?

Mr. **Peek**. I was in the agricultural-implement business, the manufacture of agricultural implements, all of my life until 1924, except during the period of the war, when I was a member of the War Industries Board.

The **Chairman.** What was the name of the company to which you belonged?

Mr. **Peek.** I was in the Deering Co. for 26 years, and after the war I was with the Moline Plow Co.

Senator **Norris.** Merely for the record, Mr. Peek (of course, the members of the committee know it all now), but you are the same Mr. Peek who has been here in Congress off and on for quite a good many years in support of various kinds of agricultural legislation, are you not?

Mr. **Peek.** Since 1922; yes, sir.

Senator **Norris.** What positions did you occupy with the farmers' organizations when we were considering some of these farm bills, for instance, the McNary-Haugen bill?

Mr. **Peek.** In 1924 and from then on until 1928 I was president of the American Council of Agriculture, which was an organization of farm leaders organized at St. Paul in the summer of 1924. In 1926 I was chairman of the Executive Committee of Twenty-two, which was made up at the governors' conference at Des Moines, Iowa, at which was represented 11 States and there were 2 delegates from each of the 11 States, which made the committee of 22. I was chairman of that committee.

The **Chairman.** What were the 11 States represented; which States were they?

Mr. **Peek.** Practically the North Central States; there was Ohio on the east and Nebraska on the west, going south to Kansas.

The **Chairman.** The grain and cattle States?

Mr. **Peek.** Yes; grain and cattle States, livestock.

The **Chairman.** You may proceed.

Mr. **Peek.** First addressing the suggested amendment by Senator Smith which was placed in my hands this morning, I want to say that it seems to me that that is a reflection of the repudiated policy of the last administration as advocated by the late President and Secretary of Agriculture and just before the closing of the last Congress recommended by them. That policy was first presented to Congress in the report of the Coolidge agricultural conference in 1925 of a balanced American agriculture, in order that production may be kept in step with the demands of the domestic markets and only such foreign markets as may be profitable. I have protested against such a policy from that time until now, and I now protest because I think we are merely, by its adoption, drying up this country in the interest of foreign nations.

The **Chairman.** Are you speaking of title II of the bill which passed the House?

Mr. **Peek.** I am speaking of limiting the bill to the acreage rental proposed.

Senator **Wheeler.** You are speaking of the substitute bill?

Senator **McNary.** It is also in the House bill, title III.

Mr. **Peek.** Exactly, but there are other provisions of the House bill which have been eliminated in the proposal I read this morning and which, in my opinion, are essential to any successful treatment of the farm question.

Senator **Capper**. You regard the domestic allotment plan as the vital feature of the House bill?

Mr. **Peek**. No. I regard the broad powers conveyed upon the Secretary to deal with the various ramifications in this very complex industry as essential. The conditions are different with almost each commodity. On cotton, for example, we have what amounts to a world monopoly of cotton. We produce over half the cotton produced in the world and we export roughly about half of what we produce. I think that we should keep that monopoly. I think that we should not dry up our cotton acreage and encourage the production of cotton in foreign countries, but at the same time, I feel that the cotton producer is entitled to the benefit of a domestic market as long as he is compelled to pay protected prices for everything that he buys. Now, in the case of hogs, the situation is directly the reverse. It is not the surplus of hogs which bears down upon the price in this country. Germany, for example, has been paying nearly three times to its producers of hogs what we have been paying in this country, so that it can't be the foreign price which determines the domestic price of hogs or we would be getting between 2 and 3 times as much for our hogs as we are. I think that the difficulty with hogs lies in the processing industry, in the distributive systems, and I regard a straightening up of the distributive system the essential thing in connection with hogs.

In the case of wheat, you have an intermediate crop where we produce roughly 20 to 25 percent of the world's supply and export 20 to 25 percent of what we produce. Many of our millers have mills in Buffalo where they mill in bond, using a great deal of Canadian wheat. Others have mills in Canada. I think that our effort should be to process as much of the farm products of this country in this country as it is possible to process and dispose of, but I think that we should not let the foreign price determine the price at which the American farmer is permitted or rather is obliged to sell his products.

The **Chairman**. Before you leave the question of the production of cotton, your figures were about correct as to our percentage of the world's production. We have on hand now a surplus that if consumption does not increase not only in this country but in foreign countries, we are face to face with a year's production in excess of the world's needs. Now, the question is how to get rid of that surplus so that the law of supply and demand may operate within reasonable bounds. That is a physical fact that stares us in the face. It was not, I will grant you, a question of overproduction, but a question of underconsumption. The bargaining power of those who consume our cotton goods has been destroyed and it has had the same effect as overproduction. There has been a surplus piled up.

Mr. **Peek**. I agree with you, Mr. Chairman, and I agree that in certain instances and at certain times it may be necessary to reduce production, decrease production, but to adopt the plan generally of decreasing production, to meet the demands of the domestic market, I do not approve of, and I think the effect is apparent to the farmer but perhaps even more would it reflect unfavorably upon commerce, transportation, and particularly our social system. We see here in this country right today evidence of outbreaks among the most conservative of our people, interference with the normal processes of law from almost one end of the country to the other, by the most conservative element of our population.

In the last campaign the farmers of this country were promised certain kinds of relief quite definitely. I am sure that the broadest kinds of powers are necessary in order to afford that relief. I think that no one prescription will fit every kind of a commodity. I think the bill must be very broad and must put power into the hands of the administration official who is to administer it to deal with each commodity as the particular conditions of the market require in any particular period, and I think anything less than that will not meet the situation at all.

Senator **Wheeler**. Mr. Peek, I am going to be for the bill because I have come to the conclusion that it is absolutely necessary to do what you say to give broad powers to the Secretary of Agriculture, and I have come to that belief rather reluctantly, but I do think it is necessary to do it if you are going to get any relief. But the thing that is bothering me is, and the thing that I doubt can be done, is to give any relief to the farmers of this country as long as you have 44 countries off the gold standard and we attempt to remain on the gold standard. I am just as convinced as I am that I am sitting here that it is a physical impossibility because of the fact that you have industries today which are not producing a surplus, which are protected by a high tariff, but which are almost if not as low as agriculture is in many instances. Then you have agricultural products that are likewise protected by a tariff of which we do not produce a surplus and yet those products are just as low as the other farm products—well, many of them are as low as those of which we do produce a surplus——

Mr. **Peek** (interposing). They are too low, Senator, but they are not as low generally and haven't been in the period of the last 12 years. The grain and livestock areas have suffered more in the last 12 years than any of the other agricultural commodities.

Senator **Wheeler**. During the last 12 years, of course, up to 1929, or up to the time when these nations went off the gold standard, I will agree with you; but you are facing a different situation now than what you faced in 1929 and up to the time the 44 countries went off the gold standard. How are you going to rectify that situation by legislation in this country until you first either bring the price of the dollar down or get some agreement with these other countries to bring the value of their money up?

Mr. **Peek**. Well, in the first place, as I just said in the case of hogs, it is not a question of our international relationships to a great extent. International agreements would be very helpful to encourage the export of fats, lards, and things of that kind, and some cured meats, if we could take something in exchange, because we can't get gold when we already have the gold. I agree that the situation is perfectly impossible when we prevent the more or less free interchange of commodities under conditions like this and when we have all the countries in the world owing us the amount of money they are.

Senator **Wheeler**. Take, for instance, Japan, or take Argentina. I gave this illustration this morning. You have Japan with a depreciated currency of practically 50 percent and, notwithstanding the fact that you have a high tariff upon the product which she produces, she is able to dump by reasons of a depreciated currency on this market. China by reason of the depreciated currency is able to dump on this country, but she can't buy from us; and the same is true of India and of Argentina and of practically every country off the gold standard today. It seems to me frankly that the thing that the Congress of the United States ought to be giving first consideration and prime consideration is to the money question and settle that before we can hope to accomplish anything along the lines that have been suggested in this bill.

Mr. **Peek**. I agree with you, Senator, upon the importance of dealing with the situation in our relation to foreign countries in the broadest kind of a way, but I think that that is not the question involved in the discussion of this bill because this bill has for its purpose the restoration of parity prices for agricultural products with industrial products within the country.

Senator **Wheeler**. If you are only seeking, for instance, to restore parity between agricultural prices and industrial prices in this country, I don't think candidly that your bill will do very much good because industrial prices at the present time, except those absolutely controlled by monopoly, like steel and aluminum and a few things of that kind, are down.

Mr. **Peek**. Well, they are down to say 104 or 105 pre-war, while agricultural products are down to somewhere between 45 and 50 of pre-war, so if you are going to restore the parity by bringing down industrial prices you are going to more than cut them in two. Of course that would mean chaos. The alternative and the only way I know of to restore parity is to raise agricultural prices somewhere near the level of industrial prices.

Senator **Wheeler**. It should be done if it can be done, but the question in my mind is whether it is possible to do it by any legislation until you get around the proposition of the depreciated currencies in these other countries. I hope that you are right and that it can be done.

Mr. **Peek**. Senator, I think if you had that question all settled today that within a very short time the disparity would creep in again between industrial and agricultural prices.

Senator **Wheeler**. There isn't the slightest question in my mind about it, but if you could settle that question it would be much easier to settle the agricultural prices. It would be much easier to settle it by legislation. The question in my mind is that until that is settled it is going to be exceedingly difficult, if not impossible, to settle your agricultural proposition and bring them up.

Mr. **Peek**. The people who are framing the procedure to remedy our economic ills have elected to proceed in the other direction, and the agricultural bill is the one which is now under consideration. I want to make this point, however. The greatest depression in agriculture throughout all of these years has been in the livestock and grain sections, and the livestock and grain industries are perhaps the most highly organized industries of all dealing in processed farm commodities. Now, I just want to call your attention, we will take the 12-year average——

Senator **Shipstead** (interposing). You say disparity in prices?

Mr. **Peek**. I say disparity in prices. I will indicate what I mean right here.

Senator **Shipstead**. May I ask just one question? You are familiar with the farm machinery business and farm machinery prices?

Mr. **Peek**. Yes, sir.

Senator **Shipstead**. Can you tell us what they pay for a gang-plow now?

Mr. **Peek**. No; I cannot tell you, but I will tell you roughly that farm implements are 50 or 60 percent higher than they were prewar. I will tell you also that steel and pig iron, out of which they are made, are 50 or 60 percent higher, taxes are double, and until the raw materials and the taxes can be relieved, I see no possibility of substantially lowering machinery prices. Farm machinery is on the free list, but the materials out of which they are made are highly protected.

I want to come back, Senator, if you please, to this situation with wheat and hogs. On the 12-year average, the prices of things farmers bought were 148 percent of pre-war. Wheat was 115 percent of pre-war.

Senator **Shipstead**. What year?

Mr. **Peek**. Twelve-year average from 1921 to 1932, inclusive. Hogs were 115 percent, the same as wheat, against the 148 percent, while in these industries which are not so highly organized—we will take, for example, potatoes were 146; eggs, 131; chickens, 168; butter, 149. So that it is perfectly apparent that much of this difficulty can be traced beyond the point of the local market into the hands of the processor and the excessive expense of distribution has not come down. I don't mean by that a lot of them are profiteering and making too much money, and that sort of thing, but I mean that the effect upon the price of the farmers' product, depressing conditions generally in these industries caused by lack of buying power or what not, is to crowd down the farmer's price.

Then there are other influences; there are very large purchasers of flour and meats, if you please, with great power to bargain for low prices. General market prices are broken, competitors stampede themselves, and in order to protect themselves on these special contracts they make and upon the general low price of their manufactured commodity, they try to chisel at every corner, and the most vulnerable place is in the price of the raw products of the farmer, because it is impossible for the farmer to so organize himself as to protect himself against it. He takes the price that is offered him and pays the price that is asked of him, and he is the only one I know who does it.

Senator **Wheeler**. What is there in this bill, in your opinion, that will correct that situation?

Mr. **Peek**. I think there are two things; I think the licensing system is one.

Senator **Wheeler**. The licensing of the processors?

Mr. **Peek**. Yes. I think the agreement section is another, and the public is protected at every turn from the fact that the bill becomes inoperable after it passes above the fair exchange value of the commodities. My criticism of the bill is that it doesn't do enough for the farmer, not that it does too much, because under the bill he would be only getting about 12 cents for his cotton, and that would be 9 cents if you take the export portion at six. He gets only about 7½ cents for his hogs and say 93 cents for his wheat, which applies say to only 80 percent of it, because it does not apply to the export portion of 20 percent. It is too little instead of too much.

Senator **Wheeler**. You say 93 cents. I am interested to know how you are going to get it in operation so he will get the 93 cents for the wheat produced in this country.

Mr. **Peek**. It is perfectly possible under the bill to put it into effect immediately by the benefit payments in the bill. I doubt if that would be wise, to evoke all at once. I think it would be better to make a gradual approach to it and give these processors to understand they must pay the farmer a fair price, and if they don't pay the fair price, they will have to pay it through taxes. Then I think you would see the prices come up. Then I think you would get the cooperation of a lot of processors, maybe not all of them, but the cooperation of enough of them so that you would break down any veiled understandings or whatever there is about agreed prices.

Senator **Norris**. All that is in the bill as it passed the House?

Mr. **Peek**. Yes, sir.

Senator **Norris**. In your judgment, is that bill satisfactory as it passed the House?

Mr. **Peek**. On the legal question, Senator, I am not competent to express an opinion. I am not a lawyer. I have heard some objections made to possible constitutional questions in connection with the appropriations and the taxes. As I say, I am not competent on that.

Senator **Norris**. I am not thinking of that. I am not talking about technical questions of that kind. Forget that.

Mr. **Peek**. In general, the powers are essential as they are named in the House bill to a successful solution of the farm question.

Senator **Norris**. You said you were opposed to some certain amendment. Not only for my own satisfaction but so the record may be clear on that, I wish you would identify that amendment.

Mr. **Peek**. That was the amendment that was given me this morning.

Senator **Norris**. Where does it appear?

The **Chairman**. That is the proposition I made.

Senator **Norris**. I thought that was it but I want the record to be perfectly definite. I am going to ask you——.

Mr. **Peek** (interposing). On page 6, title II, pages 6 and 7 are stricken out, which I think should not be; a substitute is made on page 8, sections (a) and (b), which I think should be omitted; on the same page the processing tax, section 9, extending over to section 10, is stricken out and substitute is made there in section 9, and I think the bill should be left generally as it came from the House.

Senator **Norris**. That identifies it. Referring now to the amendment as embodied in what is headed here "committee print", the same bill but committee print?

Mr. **Peek**. That is correct.

Senator **McNary**. You are now opposing the so-called "amendment" offered by the chairman of this committee?

Mr. **Peek**. I beg pardon?

Senator **McNary**. You are opposing the substitute brought in by the chairman of the committee?

Mr. **Peek**. Yes; I am opposed to this committee print.

Senator **McNary**. That is the retirement of the excess acreage and payment of rental?

Mr. **Peek**. I am definitely opposed to it.

Senator **McNary**. Isn't that in the House bill under title II, subdivision 1?

Mr. **Peek**. It is permissible in the House bill, but my understanding is that such a plan would only be evoked under particular conditions such as the chairman says exists in the case of cotton at present.

Senator **McNary**. Isn't the full authority given to the Secretary to invoke the Smith idea in subdivision?

Mr. **Peek**. That is right; yes.

Senator **McNary**. It is in the bill as it passed the House?

Mr. **Peek**. I so understand.

Senator **McNary**. To meet your objection, it would want to be stricken out of the House bill and limited only to the allotment plan?

Mr. **Peek**. No. I think the administrative officer must have the broadest power, and personally I disagree with the idea of acreage rental. I think I can go out and rent 50,000,000 acres of farm land and increase production at the same time. On the other hand—that is, if you want to take it generally, I think it is a matter of great discretion as to how that should be undertaken—it is possible, I think, to go into the State of Illinois and in 20 out of 102 counties of the State remove all the surplus corn that is produced in the State. I think in Iowa you can go in 40 percent of the counties and get all the surplus corn produced in the State. I know in Nebraska you can go in a limited number of counties and get all the surplus corn produced in Nebraska. So I think the idea of general acreage rental must be handled very carefully, although, owing to the peculiarity of the industry from year to year with the different crops, the authority must be general to deal with it when and where it is.

The **Chairman**. If you eliminate any idea of acreage reduction and it becomes generally known that under this plan you are going to raise the price of farm products, aren't you going to have such an increase of products in these crops that come under that protection that the final result will be as disastrous as it is now?

Mr. **Peek**. In the first place, Senator, I have tried to make it clear that I would not eliminate that provision from the bill. I would leave it in the bill to be brought up whenever the occasion warranted, and, in the second place, I disagree with the conclusion that prices, higher prices up to a reasonable level, are going to increase production.

The **Chairman**. In other words, you would give to the Secretary of Agriculture the power to control production; that is, he would determine, when necessary, how much acreage and when not necessary? Then he would have to control the seasons as well, because sometimes on less acreage you produce more?

Mr. **Peek**. It might be well occasionally to go in the particular areas in a particular season, after the prospect of the crop was well in sight, and remove a proportion of the maturing crop and destroy it rather than have that proportion destroy the whole industry. That is what happens with unregulated, uncontrolled supply.

Now I want to come back to our other point.

The **Chairman**. Before you leave that, you don't mean to advocate, in order to maintain prices, the destruction of crops that are already produced, do you?

Mr. **Peek**. I would destroy them before I would let the slight surplus destroy our whole national economy; yes, sir.

The **Chairman**. If our whole national economy depended upon extraordinary supply, as during one year, but we have in contemplation (or I have at least) that there never has been a permanent surplus——

Mr. **Peek** (interposing). I agree with you.

The **Chairman**. Consumption is perennial, production is annual; and our objective should be to so conserve the surplus of one year to spread it over those in which one did not occur. But this bill doesn't.

Mr. **Peek**. I think it does. I think it does just that. I think the power is in this bill for government with producers and with processors to put every effort behind the disposal of our farm crops preferably in manufactured forms, I would say, so as to give employment to our labor; but, failing in being able to get rid of it, having a considerable accumulated surplus, as we have at the present time, rather than let another big crop come on and destroy us, I would do what you suggest, I would take certain production out. But I want to make this point: The variation in yield from year to year in different areas is very material. In 1931—perhaps I may have those figures here.

In 1932 North and South Dakota produced about 11 bushels of wheat to the acre. In 1931 they produced 5. In 1932 North Dakota went up to about 11, and South Dakota about 13.

Senator **Shipstead**. What difference does that make in the total production for the State?

Mr. **Peek**. I haven't the acres here. In Kansas and Oklahoma, the winter-wheat area, in the same years, while North Dakota was going from 11 down to 5 Kansas went from 13 up to 19 and Oklahoma from 9 to 17. Then in the very next year, North Dakota went from 5 to 11 and South Dakota from 5 to 13, while Kansas went from 19 down to 11 and Oklahoma from 17 down to 11. So you never know where you are going to rent your acreage.

Senator **Norris**. There is the very thing that from the very beginning of this farm problem has always bothered me. It seems to me that those figures demonstrate that it isn't a practical way to regulate production by regulating acreage.

Mr. **Peek**. Senator, you are entirely correct. The Bureau of Agricultural Economics made a report some years ago to the effect that 75 percent variation in yield from year to year of all growing crops was due to weather and pest, and not to acreage.

Senator **Norris**. Yes. In other words, God has more to do with this thing than man.

Mr. **Peek**. Exactly.

Senator **Norris**. That leads to a conclusion, doesn't it? Fundamentally this bill or any other bill trying to control production by a limitation of acreage is fundamentally unsound, isn't it?

Mr. **Peek**. Which one are you speaking of? The House bill?

Senator **Norris**. Yes; or any other bill where the principle involved is trying to limit acreage, curtail production by curtailing acreage of a crop. We never know when we start in how we are coming out on that kind of a proposition.

Mr. **Peek**. The bill that passed the House provided for a reduction in the acreage, or reduction in the production, or both.

Senator **Norris**. Well, we agreed a while ago we can't by law enter the province of God Almighty. We can list acreage, but we can't say how much is going to be produced on an acre.

Mr. **Peek**. No; but, generally speaking, in a condition such as the chairman mentioned a few minutes ago with respect to cotton, it would be possible to go into the normally producing areas of cotton, which have more or less uniform production year in and year out, and get some advantage of production by renting productive areas. I think you would get very little by renting unproductive areas. In other words, the idea of renting marginal lands—the word "marginal" is a word very greatly misunderstood. My understanding of marginal lands is high-cost-production lands. That is the marginal land, no matter whether it is in Kansas or Illinois.

Senator **Norris**. Maybe I am wrong. If I am, I would like to be corrected. I had a different idea. I thought a marginal land meant land that was just on the line, whether it was good to use for production of a stated product or whether it wasn't; in other words, where the production was doubtful it was on a line, and you didn't know whether to put it in a crop or not, because the chances of producing anything might be against you.

Mr. **Peek**. Yes; but if you produced very little it would have very little effect on the market.

Senator **Frazier**. And high cost of production?

Mr. **Peek**. And high cost of production.

The **Chairman**. This general principle is true: A great area is likely to produce under normal conditions more than a small area. We can't get away from that; and the reduction of acreage in cotton, that I am familiar with, has in general—I know there are exceptions—resulted in a reduced production.

Mr. **Peek**. Senator, in the case of cotton in 1930, all the cotton States averaged 147 pounds of cotton to the acre.

The **Chairman**. I am very familiar with that.

Mr. **Peek**. In 1931 they averaged 201, and in 1932 they were down to 162 again.

The **Chairman**. Yes.

Mr. **Peek**. I think that the acreage rental by itself is not sufficient; and, I think, generally applied it would be much more expensive and extravagant than going in and catching the production in the particular place where it was being produced in the particular year. Then, again, any general plan for reduction of acreage throughout the United States, regardless of the deficiency of supply in particular areas, is very unsound.

I was in your State the latter part of November. A gentleman told me he had just shipped in a carload of corn for which he paid 62 cents a bushel. I asked him how much the corn cost, and he said 10 cents, and the 52 cents was freight and charges on it. I would like to have somebody go down and explain to your people in South Carolina why they should reduce their corn acreage when that is the situation there; a third of all the corn in the United States being produced in two States, Iowa and Illinois.

The **Chairman.** I recognize that we have a condition here where the surplus is not the barrier to a rising price, because we have no surplus. It is purely an inability to buy, and I want to understand how if we put a tax on the processor which at once will mark the difference between the farm price and the average of the thing he buys, where are we to get the consumptive power to maintain that enormous rise at once?

Mr. **Peek.** I understand that the bill as it passed the House does not contemplate the immediate tax in the full amount, that it specifically provides to arrive at the price gradually, but I think that the condition which you recite is due to the depleted buying power of the farms, extending over a period of 12 years rather than to any other single condition, and I think until you get the farmer back into the market so he can buy something that this jam is not going to be broken at all.

The **Chairman.** That is exactly my idea, and what I am trying to get at is, so far as my commodity is concerned, to get rid of this surplus, and I think the Government would have been well sustained in common sense and statesmanship if it had when these enormous surpluses had piled up, far below the cost of production, possessed itself of these surpluses and substituted them for the subsequent production. I think that was indicated, certainly indicated, and until the bargaining power not only of the farmer but of the masses of people, the working people, has been brought back to where they can exercise some degree of purchasing power, we are not going to relieve this situation. But whether we are going to do it by turning over to the Secretary of Agriculture the entire overlordship of every farm in America, every factory in America, every milling process in America—if it is possible for any one man or a combination around him to license and control every processor in America and every farmer in America, if that is our only hope, I am in despair.

Mr. **Peek.** Mr. Chairman, I came down here to Washington with this agricultural question on my mind more than 12 years ago. In the agricultural conference called by President Harding in 1922, that conference went on record directing attention to the disparity of prices between agriculture and other commodities and calling upon the President and Congress to take such steps as were necessary to correct that disparity. Twice legislation was vetoed addressing the question. In the last campaign the issue was clearly drawn between the President of the United States and the ex-President of the United States in regard to agriculture, and the people of this country rendered their verdict and, as I understand, he approves this procedure. After the last 12 years, I am in favor of giving him an opportunity with the broadest kind of powers to work out a program which is aimed at this fundamental question.

Senator **Norris**. Mr. Peek, a while ago you gave us an illustration of a man in South Carolina buying corn for which he had to pay 63 cents a bushel and he said the corn cost 10 cents a bushel and the balance was freight and other charges. Did he tell you where he bought that corn?

Mr. **Peek**. He told me in Iowa. I didn't ask him the station.

Senator **Norris**. Then it follows from that that between Iowa and South Carolina to transport this commodity, this farm product, it cost about five times as much as the product itself was worth?

Mr. **Peek**. Not as it was worth; as the market price.

Senator **Norris**. I don't doubt it a bit. I wish I could get your attention to the fact that there is one element in the farmer's difficulty that nobody seems to discuss or consider. It is possible in some way to lower that terrible exhorbitant cost of distribution? Why aren't we talking about freight rates and such things as that as one of the elements at least that enters into the farmer's problem?

Mr. **Peek**. I think this bill addresses it, Senator, when the price to the farmer is referred to as the price at local markets.

Senator **Norris**. I don't want that to be understood as a criticism of this bill. I simply want to get in the record here that there are some other things——

Mr. **Peek**. That is true.

Senator **Norris**. That seem to be vital to the farmer that are not involved in this bill or this proposed legislation.

Mr. **Peek**. That is very true, and I can give you a specific illustration, not in connection with the farm but in connection with agricultural implements. That is that they can ship from Moline to the Pacific coast by way of Baltimore, Md., and around by boat and save about half of the freight over shipping all rail from the Mississippi River to the Pacific coast.

Senator **Norris**. Suppose on the illustration that you give—it might not have all been freight, but practically all, I suppose, was freight—amounting to 53 cents a bushel on corn from Iowa to South Carolina, suppose that freight had been only 20 cents instead of 53, then it is fair to presume that between the Iowa farmer who produced the corn and the South Carolina farmer who consumed it that this difference of 33 cents a bushel would have been divided; it might have made it profitable to both of them?

Mr. **Peek**. I hope that would be true. As a rule, the farmer pays the freight both ways.

Senator **Norris**. In this case they paid the freight only one way, but they paid it five times.

Senator **Frazier**. The 53 cents wasn't all freight.

Mr. **Peek**. Freight and handling charges.

Senator **Shipstead**. You used to be with the Deering Co.?

Mr. **Peek**. Yes.

Senator **Shipstead**. A year ago the traffic manager of the Deering company testified before the Commerce Committee of the Senate that they could ship farm machinery from Moline down the Mississippi and around the Panama Canal to the Pacific coast, a distance of 7,000 miles, and save $23 a ton freight, as against 2,000 miles across, Moline to San Francisco?

Mr. **Peek**. It is pretty close to 2,000 miles.

Senator **Shipstead**. You recognize, then, that the high freight rates cause——

Mr. **Peek** (interposing). Oh, absolutely. And another thing, in connection with our export markets of wheat, I believe our average cost of wheat from the point of production to ocean shipment is about 25 cents a bushel, while with the principal competing countries it is about 10 cents.

Senator **Norris**. In those cases, now, you are comparing the freight in the United States with the freight in Canada?

Mr. **Peek**. Yes; and Australia.

Senator **Norris**. Both rail shipments?

Mr. **Peek**. That is right.

Senator **Norris**. The Canadian farmer gets a freight rate that is very much below what the American farmer gets?

Mr. **Peek**. Yes.

Senator **Wheeler**. At points, for instance, right across the line from Montana the Canadian farmer gets an advantage of approximately 10 cents on a bushel of wheat.

Senator **Bone**. Isn't it a fact that under the rail hauling charge in Canada that wheat is conveyed there about 900 miles for the same amount as in this country for 300 miles?

Mr. **Peek**. I am not sure of the figures, Senator, but I am sure Senator Wheeler has the figures.

Senator **Bone**. There were a number of hearings where that was brought out. Is not it also a fact that in rail hauls half way across the continent that the freight charges are more than the market price of the crop?

Mr. **Peek**. That is not only true in that instance but that is true also in instances within the Missouri and Mississippi Valleys.

Senator **Shipstead**. It costs 24 cents a bushel to haul a bushel of grain from Shelby, Mont., to Duluth at the mills, and that when rye was selling out there for 5 cents a bushel.

The **Chairman**. How much a bushel, did you say?

Senator **Shipstead**. Twenty-four cents.

Senator **McNary**. Mr. Peek, returning to the consideration of the bill, on the 12th of January last the House passed an allotment plan providing elaborate machinery with which to deal with the problem. You are familiar with that?

Mr. **Peek**. Yes.

Senator **McNary**. In this bill the only reference to machinery is subdivision 1, section 8?

Mr. **Peek**. On page 6?

Senator **McNary**. Yes.

Mr. **Peek**. I think it is.

Senator **McNary**. You think the plan proposed in the last bill where plenary and unusual power is granted to the Secretary of Agriculture without the specifications of any mechanics will work satisfactorily?

Mr. **Peek**. Well, as you know, Senator, I did not agree with that allotment bill as it passed the House last winter.

Senator **McNary**. Yes; I remember that. The Senate took up the House bill and reported what I think was the same scheme in a simplified form, I think a greatly improved form. I don't know whether you are familiar with that or not?

Mr. **PEEK**. Yes.

Senator **McNARY**. That also made specifications that I think will safeguard the administration of the bill both to the public and the producer and the processor and all involved. Here this short brief authority doesn't specify in what manner to treat the surplus, whether the allotments are to go to all a farmer raises to where it reaches a point that consumption balances production or whether we take a portion of the farmer's crop and say so much can receive allotment benefits and the other he can hold. There are no specifications of that. Do you think it is a good bill to go along and leave it wholly to the Secretary to treat without any legislative specifications or safeguards in what fashion it is to be done? I want your opinion.

Mr. **PEEK**. May I answer you in this way, Senator? The ramifications governing these different farm commodities are so great that I think it is impossible to incorporate in a single piece of legislation all of the necessary provisions for dealing with each one. As I said a few minutes ago, I think the whole question of the people's confidence in the present administration on the farm matters was settled last November. I think the farmers of the country are willing to trust the President of the United States in the administration of the widest powers, and I think at the same time that the entire consuming public is protected by the limitation of the bill that it is inoperable when it gets up to what is called the fair exchange value. I want to repeat that my criticism is that that isn't enough and not that it is too much.

Senator **McNARY**. Assuming that this bill is adopted in the form that it has passed the House and the fair exchange value plus the current price is the value fixed in here for the commodity to bring—that is true, isn't it?

Mr. **PEEK**. No; the fair exchange value—perhaps I didn't understand—is the market price plus an amount——

Senator **McNARY**. Which is based upon the average price for the period named. In many instances wouldn't that exceed the tariff barriers now imposed by our tariff act?

Mr. **PEEK**. Yes.

Senator **McNARY**. What is in here that would permit the Secretary of Agriculture to raise the tariff rates due to importations due to higher prices in this country?

Mr. **PEEK** I think that is covered in the bill The processing tax is imposed on the wheat in addition to the tariff.

Senator **McNARY**. Suppose this raised cotton from 7 cents to 11 cents a pound. Necessarily, cotton not being protected, there would be an influx of cotton to this country. Do you think there is a provision in there to protect the cotton grower or the wheat grower? Where is the provision that would protect the grower?

Mr. **PEEK**. I think there is a tariff provision in here for cotton; is there not?

Senator **McNARY**. I am asking you. You are familiar with the bill; you have been with the Secretary of Agriculture and have had more time to study it. I don't find it.

Mr. **Peek**. Mr. Lee tells me that is not in this bill.

Senator **McNary**. I didn't see that. You realize the Secretary himself would have no power to meet those contingencies by any edict of his own?

Senator **Wheeler**. Wouldn't that be covered by the fact that he would have the power to put this process tax on importations?

Senator **McNary**. That is based upon exchange value plus the current value. It is an arbitrary figure. It can be lowered only when there is a decrease in consumption due to a higher price level. It has no relation to tariff.

Mr. **Peek**. Senator McNary, I think that is covered in paragraph (e) page 18.

The **Chairman**. Don't take the committee bill. Take the House bill.

Mr. **Peek**. This reads—

During any period for which a processing tax is in effect.

It provides for a compensating tax equal to the amount of the processing tax.

The **Chairman**. Let me get that clear. Suppose the duty on wheat was 42 cents a bushel and it was necessary to impose a tax of 40 cents a bushel to bring it up to the parity spoken of, then automatically you would impose your import rate of 82 cents?

Mr. **Peek**. That is right.

The **Chairman**. So that you have a protective tariff domestically applied and applied as to foreign importations?

Mr. **Peek**. Yes.

The **Chairman**. In other words, we are committing ourselves to a protective tariff raised to about the nth power both domestically and as to imported foreign goods?

Mr. **Peek**. I think you are assuming an extreme condition.

The **Chairman**. The condition exists now?

Mr. **Peek**. Yes; but here we have a condition in prospective crop which is the most various we have had for many years of wheat. In all probability we would be on a domestic basis with wheat this year if it were not for the accumulated surpluses which we have on hand. The winter wheat situation is very bad.

The **Chairman**. You see that within a year our production will about equal domestic consumption.

Mr. **Peek**. I think the prospect is for around 600 to 650 million bushels of wheat right now, but, of course, there is no telling what the spring wheat will be. That is merely based upon the normal production of spring wheat, since so much depends upon the planting and growing conditions, and it is not yet in the ground.

The **Chairman**. Under conditions other than now exist—this terrible lack of money—what would be the effect on the trade if they were reasonably sure that the incoming crop would not more than supply domestic consumption?

Mr. **Peek**. I think the effect upon the trade of the announcement of a governmental policy to stand behind agriculture and the processors of agricultural commodities so that burdensome surpluses will not break down, the market would be bullish, of course. I think prices would go up.

The **Chairman**. I am not speaking about surplus. I take it for granted that what surplus remains of wheat plus the prospective incoming crop will not greatly exceed domestic consumption.

Mr. **Peek**. I don't think that is quite right. I think there is, roughly, around 350 million bushels of wheat on hand and a prospect of 600 million bushels.

The **Chairman**. What is the domestic consumption of wheat?

Mr. **Peek**. Six hundred million bushels.

The **Chairman**. So that we would have about 300 million bushels?

Mr. **Peek**. We have consumption from now until July.

Senator **McGill**. We have that at this time. By July we will not have that amount of surplus?

Mr. **Peek**. Yes.

Senator **McNary**. I think that subdivision (e) you called to my attention refers only to process and manufacture. It doesn't touch the raw article at all.

Mr. **Peek**. In the instance you named, Senator, cotton, that would have to be processed.

Senator **McNary**. Well, wheat from Canada; it comes in a raw state. Wheat from Argentina would come in a raw state.

Mr. **Peek**. But you have got the tariff on wheat from Canada.

Senator **McNary**. On your own statement that would far exceed in value the protection afforded by the tariff. However, I don't want to proceed with that further. I just wanted to bring that out.

I want now to ask Mr. Peek a question regarding the description of basic agricultural commodities.

Mr. **Peek**. If the wheat comes in raw, it pays the processing tax when it is processed, and it has to pay the tariff besides.

Senator **McGill**. The processing tax plus the tariff?

Mr. **Peek**. Yes.

Senator **Frazier**. That would practically amount to an embargo in the case of wheat?

Mr. **Peek**. That depends upon the price. It would be very helpful in that direction, Senator.

Senator **McNary**. Mr. Peek, referring to another matter, on page 12, section 11, the term "basic agricultural commodity" means wheat, cotton, corn, hogs, cattle, sheep, rice, tobacco, and milk and its products. Will you discuss that, whether you think it is practicable to include these so-called basic agricultural commodities in the operation of the allotment plan or the acreage-reduction scheme?

Mr. **Peek**. I appeared before the Senate Finance Committee on February 14 and presented a very complete memorandum as to our position as to the allotment plan that passed the House. In that I recommended four commodities—wheat, hogs, cotton, and tobacco—giving discretion to the President to extend the list to other livestock and other grains, so in effect it is substantially what it is here in respect to those four commodities.

Senator **McNary**. We had in our hearings a great many hog growers and feeders here, and I think representatives of the packers, opposing the inclusion of hogs in the domestic plan. I think this committee by unanimous vote excluded hogs. Do you think it would be practicable to apply the allotment plan to hogs?

Mr. **Peek**. I think it is practicable to apply the recommendations I made to the Senate Finance Committee to hogs, because that had that agreement section which the allotment plan did not have.

Senator **McNary**. In this bill?

Mr. **Peek**. Yes.

Senator **McNary**. Where is that?

Senator **Frazier**. Mr. Chairman, I want to say I voted to eliminate hogs because beef cattle and sheep were not included. If they had been included, I think hogs could have been kept in.

Mr. **Peek**. It is on page 6, Senator, of this committee print, which is the only one I have, title II, section 8(2) of the old bill.

Senator **Wheeler**. Mr. Peek, why do you think that will make it work with hogs? I don't know, I would like to have your opinion.

Mr. **Peek**. Well, I will give you a particular example. I have been told by some of the packers that with a little assistance from the Government they could export a considerable quantity of lard right now and some other meat products. It would involve some exchange of commodities contemplated by agreements with other nations. For instance, one case in point was Russia. I have been told that Russia would take a very considerable quantity of our fats and textiles, if we could take something in payment.

Senator **Norris**. What would we have to take?

Mr. **Peek**. We do take manganese and probably some wood pulp, which we now import from Canada, and I think the Empire agreement possibly would make it to our advantage, for a while at least, to take some of their imports from some other place.

Senator **Norris**. Mr. Peek, in order to bring about such an agreement, which I concede would be a very desirable thing, is it necessary in order to do that that we retain hogs and lard, that we retain hogs and put in lard as two of the basic agricultural commodities in this bill? Why couldn't they do that anyway just as well without this legislation as with it?

Mr. **Peek**. I think there are other things in connection with the agreement, Senator, besides that. I think there are practices in connection with the agreements and licensing sections, there are practices within the industry of buying and selling, which serve to demoralize the whole market situation, which could be corrected by the agreement section between the Government, producers, and processors.

Senator **Norris**. I don't get the idea yet; I am not saying it isn't true, but I can't get it through my head some way or other that in order to carry out that kind of agreement with Russia we will say, for illustration, that it is necessary that we should put the product that we desire to export in this bill here. I don't see why they can't do that anyway without this legislation.

Mr. **Peek**. I said awhile ago, so far as hogs are concerned, that is almost peculiarly a situation within the country where exports have very little bearing on the situation. Hogs are one of the essential things and the grain and livestock sections have been the most desperately affected of any of our farming areas over the period of the last 12 years. I think it would be fatal to the whole Middle West section of the country economically to leave them out, and politically I think it would be worse than that.

Senator **Norris**. I am not worried so much about the political question but I am about the other question. I am seeking for light. I would like to put them out unless they are necessary, because I don't want to enlarge this program any more than is necessary, and I don't yet understand, excepting your opinion, which I value very highly, that it is necessary to put them in. I wish you would make it plain to my dense brain, if you can, why they should be kept in, in order that we could carry out, for instance, the very kind of deal you mention.

Mr. **Peek**. I tried to refer to that a while ago; perhaps I didn't make myself clear. In the first place, when I say "politically" I speak of it in the broadest sense, and when the things are going on that are now going on throughout the country in respect to interference with normal processes of law, which threaten the very structure of our Government itself, I think that we are all vitally concerned with the political consequences. Referring now to the particular agreements, I referred to the practices which are ocurring by reason of large buyers using their power to buy, to break down the whole structure of prices with the people who have to sell. That is true not only of the particular commodities named in this bill but I think that is true largely in the coal industry.

Senator **Norris**. I agree with you.

Mr. **Peek**. So I say within the limitations of fair prices to the consumer, if we can straighten the back of the industry so that they can correct these bad practices themselves through the control of the licensing system, we will have gone a long way to remedy that thing.

Senator **Wheeler**. There is only one way you can remedy it, and that is the licensing system?

Mr. **Peek**. Yes. Then by imposing the tax so they must pay a fair price, you will get some kind of agreement between them and Government which will correct the difficulty.

Senator **Norris**. I still don't see how that affects our ability to ship our products to foreign markets.

Mr. **Peek**. I said that is another angle of the situation. That is a second point. There are two unrelated points.

Senator **Bankhead**. I want to ask a question on that point, Senator. The corn crop is a very large crop, isn't it?

Mr. **Peek**. Yes, sir.

Senator **Bankhead**. How many million bushels?

Mr. **Peek**. A little less than 3 billion.

Senator **Bankhead**. What proportion of that is processed on which a processing tax could be collected?

Mr. **Peek**. Not over 85 percent leaves the county.

Senator **Bankhead**. How much of the total crop; 10 percent or 15 percent?

Mr. **Peek**. Yes; not over 15.

Senator **Bankhead**. Out of that small proportion of corn by itself you couldn't collect enough process tax to aid the corn grower, could you?

Mr. **Peek**. The Board of Trade people have made the statement frequently that 25 million bushels of corn over and above what the market normally takes breaks down the price of the whole product.

Senator **Bankhead**. It is my thought and I wanted to bring it out while Senator Norris was on that question that hogs are included in here, and that is what we were discussing, in order to help the corn grower because you get the benefit of the corn through the meat?

Mr. **Peek**. That is true.

Senator **Bankhead**. You put the meat in here so as to reflect it back to the corn grower?

Mr. **Peek**. That is right.

Senator **Bankhead**. That is what I wanted to bring out.

Senator **Kendrick**. Mr. Peek, you know something of the plan or system of marketing livestock, do you not?

Mr. **Peek**. In general; yes.

Senator **Kendrick**. Have you ever been in our central livestock markets, for instance in Chicago, when there would be 35,000 cattle, 65,000 sheep, and as many hogs in the yard in one day? You have seen that, have you not?

Mr. **Peek**. Yes.

Senator **Kendrick**. Are you not compelled to believe from such observation that because of the perishable character of the commodity the marketing of livestock and livestock products involves more of a risk than is the case with ordinary commodities?

Mr. **Peek**. Yes; I think so, Senator; but I think that conditions can be greatly improved under the cooperation of the Government, producers, and processors. I think if it is possible to work through associations of producers and get the word back to the farmers of what a normal flow is, and get some diversion from one market that is glutted into another market that is not glutted, a great good can be accomplished.

Senator **Kendrick**. That may be true, but those of us having a good deal of experience in the business know that we have been at least half a century endeavoring to regulate the receipts in the markets so that they would be more or less uniform. Now, there are times when, because of the conditions under which livestock is marketed, it is next to impossible to dispose of everything in the yards on the day of arrival. Also, you know that in the movement of grain and other nonperishable commodities there is not much danger in delay except the cost of storage, but in the case of livestock there must be no delay; the shrinkage in the livestock, the cost of carrying, will, within a short time, eliminate any equity that the shipper has in the commodity. There cannot be delay, you must keep them going; we have all seen those markets glutted so that there is no outlet, and now I am concerned as to what will happen if there is any obstruction or any obstacle that is interposed to prevent a movement as free as we have at the present time. I ask you, in the face of the proposal here to increase the price to people who have already very limited buying power, are you not afraid that there would be such congestion result in the market as would compel many of these shippers to lose their commodities instead of selling them?

Mr. **Peek**. No, Senator, I am not impressed by that. I think that under the law as drafted, in the case of hogs for example, it would be possible to reflect back to the producer's information, and perhaps regulation, if necessary, as to the particular types and weights that the market is active upon, so as to avoid a glut of heavy hogs, if you please, when light hogs are desired. A great many things in that connection can be improved. I do not say they can be remedied, but they can be improved. I have discussed this subject with organizations of producers, with the Secretary of Agriculture, and with some of the processors, and I think I may say that what the processors fear is that something is going to be attempted without rhyme or reason. I have no such fear.

The CHAIRMAN. I have confidence in the Secretary of Agriculture and I believe as far as it is possible he is going to administer this law cooperatively. We have had experience with unpopular laws. Unpopular laws do not work, and it must be made a popular law and must be a cooperation of producers, processors, and consumers if it is to be really effective and helpful.

Senator KENDRICK. You agree that there is limited purchasing power at this time? No one denies that. No one who has given any study to the situation in the country but will agree that at least half of our problem lies in underconsumption as well as overproduction. The great majority of the people must buy very carefully. It is planned to increase the price gradually under this suggestion. It matters not whether the entire list of meat food products, cattle, hogs, sheep, and everything, is included so there will be no discrimination, but if you bring that situation in, what is certainly going to happen is what has happened in the past, that where meats have been too high the people do not consume them. That has been of record time and time again. At least in the beginning there is grave danger that in the administration of this law there will be gluts and congestion that will prevent any possibility of evading disaster.

You speak of the regulation of the flow or the movement to the market. At the present time they know 1,500 or 2,000 miles from the market just what the market has today and what the prospect is of car loadings, and yet we have these congestions in the market, just the same. Under the present situation the packers will buy, presumably, at the lowest point they can and yet when they have purchased all they can reasonably and profitably handle in a day, it is apparently their purpose to clean up the yards that day whether they want all the livestock or not, in order that the movement to market may be continuous. So that this situation, as I see it, is almost certainly destined to bring derangement and demoralization where we now have what might be called an assured cash market for everything that goes to the yard. I have said frequently that the best part of our livestock market today is that we can recover some cash for our commodities when we take them into the markets. If this legislation would upset that feature, it would be unfortunate.

There is another feature on which I would like to have your opinion. Meat food products cannot be delayed in their movement from the slaughterhouse to the consumer. As you know, we had our experience with embalmed beef in the Spanish-American War, when for a time people almost stopped using meat products. That nearly killed the cattle business at least, as I have occasion to know, and I apprehend that we may have some repetition of that if anything in this plan is calculated to obstruct, to interfere with, or even to delay the movement of meat products from the producer to the consumer.

Mr. **Peek**. Senator, I am more fearful about the result if we do not do something constructive than I am if we do. I think that when you have a situation similar to that to which I referred a while ago, such as exists in wide areas in the United States, where the most conservative of our people are rebelling against due process of law, that we can not ignore that, if you please, to fit into the convenience or normal customs of what has been in the past. I do not concede that this bill need work any hardship upon the processor, but I do concede that it will help the farmer.

Senator **Kendrick**. Do you not think it possible that it might delay this movement?

Mr. **Peek**. I think that depends entirely upon the administration. I think that farmers are not going to, and they should not, continue to feed the people of this Nation and to supply this cheap food at less than it costs them to produce it, and under a system of distribution which spells ruin to them through no fault of their own.

Senator **Kendrick**. Well, Mr. Peek, you will agree that even though we are producers, there is hardly any man on a farm or a ranch who is not sufficiently intelligent to know when he is making money and when he is losing. Assuming that we do know that we are losing money, there are two things in connection with your statement that impress me very much. As you may know, I have a wide acquaintance among the cattlemen and sheepmen west of the Missouri River.

Mr. **Peek** (interposing). Yes, Senator.

Senator **Kendrick** (continuing). I do not know any of them in my long list of acquaintances who want this legislation applied to their commodities. That is one thing.

The next thing is that we recognize the fact, and I think we are right in it, that we have no monopoly on low prices. We are suffering and taking our medicine, as it were, along with every other class of people, and I know quite a number of livestock growers who even now are rather pleased that we have enough cheap food for people at this critical time, instead of having high prices for it. I think it is a better thing to have a surplus than a deficit, even though some of our people are not recovering the price of production.

Mr. **Peek**. Senator, you refer to the prices of agricultural commodities as compared with others.

Senator **Kendrick**. As compared to others? If I may correct that impression, Mr. Peek, I think it is true that you can hardly refer to a single industry in the country that is not today going through a period of travail and grief and suffering. It is almost universal.

Mr. **Peek**. I agree with that, Senator, but certainly we would not lay that on the doorstep of the farmer.

Senator **Kendrick**. I am a farmer, and I estimate that my time will come again. I have had good prices, as all of these people producing hogs and mutton and livestock have had in the past.

Mr. **Peek**. Senator, I have sat in meetings with the father of the present Secretary of Agriculture, in 1922, with processors, bankers, and others, when exactly that theory was advanced. I sat in meetings with them the other day and heard the same argument advanced again. There has not been one single year since 1921, when the products of the farm, and particularly the grain and livestock, have had a purchasing power equal to that which they had before the war. Not one single year. Now, it is like the "kitty" in the poker game. The farmer is being short-changed all the time, and the small percentage that is coming off, the small amount for which he does not get a one-hundred-cent dollar in the aggregate results in the condition which finally absorbs everything.

Senator **Kendrick**. I am not protesting against the increase in price, but I am one who has given this question quite a little study. I may say, incidentally, I heard our chairman make a statement on the floor of the Senate during war times, that if you wanted to increase production you must make production profitable, and I have thought of that statement many times. Mr. Peek, I have observed, that when you make production unprofitable, so far as our livestock production is concerned, you do not need to put any particular governmental restrictions on production; the products will handle that themselves, and it will be reflected in a very short time in all the different kinds of livestock.

Mr. **Peek**. Senator, I am sorry to disagree with you again but I disagree with you fundamentally in that. I say that a very low price compels the farmer to raise more units at the low price in order to meet his fixed cost, than does a reasonable price.

Senator **Murphy**. May I suggest, Mr. Chairman, may I suggest in that connection that we are feeding our corn now to hogs that are at the lowest price in the history of the country. We are feeding them now all that corn, the third biggest crop we have had in the State, and notwithstanding the low price, we are feeding just as many hogs because we have nothing else to do with the corn.

Senator **Kendrick**. I assume, Senator Murphy, that in all probability you are feeding these hogs that you have on hand because that is the best avenue through which to market the corn?

Senator **Murphy**. Precisely.

Senator **Kendrick**. My statement is based on observation. Four or five years ago every ewe lamb in the flocks of the West was kept and bred at the proper age and, as a result, the number of sheep in this country increased by leaps and bounds. Since the market collapsed, the system of marketing not only the ewe lambs but many of the matured ewes, has continued unabated. I insist this will apply to cattle as well as other commodities as it does cost something to increase production and breeding, and it is my thought that the absence of profits will not only automatically prevent any increase in production, but actually decrease production.

Mr. **Peek**. Well, Senator, we have been following the policy ever since the war that we followed before the war, when we were a debtor nation instead of a creditor nation, agriculture and other industries before the war were encouraged to produce without limit, in order to meet our trade balances on the other side. At the end of the war we woke up as a creditor nation. We passed emergency legislation in the interest of other industries, but we left agriculture to go at once to the level of world prices, and the natural forces that have been at work, as you suggest, with different farm commodities, and if anyone wants to say that they are in favor of withdrawing all artifices which stand in the interest of other groups, then I say they are entirely reasonable in their position and that will correct the disparity. When the farmer both buys and sells in the world market, the disparity will be corrected, in my judgment, but I think there will not be an institution standing in this country if we were to adopt such a policy, because it would mean more than cutting in two the present level of industrial prices.

So there are just two things left. One is to bring other things down or bring agriculture up; and for the first time since the war, since Secretary Wallace died in 1924, we have an administration which is inclined and determined, so far as I can learn, to bring agriculture up, and I think that we should all support it.

Senator **Kendrick**. I am not opposed to that. Mr. Chairman, I do not want to testify for the witness; but I would like here to reflect the attitude of the livestock growers of this country. We are perfectly willing to see the commodity prices of every farm product increased, but we do not believe in this system of turning our individual business over to a departmental head here in Washington. No one will deny his good intentions, and no one will deny probably, if left to him individually, his ability to improve on the management of our business, but we are a little bit anxious about the agents he would send out. [Laughter.]

Mr. **Peek**. Senator, you are speaking of the livestock growers?

Senator **Kendrick**. Yes. If I know how, I am; yes.

Mr. **Peek**. Well, of course, again I must disagree with all of your conclusions, because I think that when the farm organizations of the country are represented through their recognized leadership, and are substantially unanimous in their conclusion along a certain direction, that they reflect the view of the great quantity of farmers, many of whom, I have no doubt, are less able to present their own case than you.

Senator **Shipstead**. Mr. Peek, before we leave the hog question, I would like to ask you a question.

The purpose of this bill is to raise the prices on the basic articles included in this bill?

Mr. **Peek**. Yes.

The **Chairman**. I beg pardon, Senator Shipstead.

Senator **Shipstead**. I asked Mr. Peek if it was not a fact that this bill was intended to raise the domestic price on the basic articles included in this bill. Now, if we are limited to cotton and wheat, it is assumed that the bill will be effective and wouldn't raise the domestic price on those two articles. There are many States that produce little or no cotton and little or no wheat but do produce a great many hogs.

Mr. **Peek**. Yes.

Senator **Shipstead**. And unless hogs are included in the bill, is there any likelihood that they would share in this restoration of parity price?

Senator **Bone**. Or corn?

Senator **Shipstead**. The only way you can process corn is through the processing of hogs.

Mr. **Peek**. All of these farm commodities in the form of food are competitive one with the other. If we drink a glass of orange juice at lunch, we do not eat meat or we do not eat wheat. That is an extreme example, but all are competitive one with another. But the significant thing about this is that all through these years the more highly organized industries processing the products of the farm have had a level of prices for the raw products which is below the level of the unprocessed ones, of the unprocessed farm products; that is to say, that butter, which is processed, of course, but not in the highly organized states that flour is, or wheat, not by such highly organized industries—chickens, eggs, potatoes, apples, have all been at a constantly higher level of price relatively with what the farmer had to buy than have the products of these highly organized industries.

Senator **Shipstead**. Yes; including pork.

Mr. **Peek**. Meaning particularly livestock and grain. Now, there is another thing that has appeared—and I think I can agree with Senator Kendrick on this. A few years ago it was the usual thing for the packers particularly, and other processors more generally, to finance their business largely through the sale of commercial paper to banks throughout the country. I know I could not go into a country bank anywhere that I did not find Armour or Swift paper, particularly, and the country banks were taught to believe it was their duty to help process the raw products which they were shipping out of their communities. In the last dozen years most of those country banks have disappeared. These highly organized industries have not had that source of credit open to them. The financing has had to be done through other channels and to a considerable extent through the big financial institutions which are in the limelight under another committee today.

I think that whenever these processors have been told that they must reduce the amount of money required to conduct their business, the natural result has been to depress the price of the things that they buy.

Senator **Kendrick**. If I may interrupt you there—undoubtedly, the more important thing is the price at which they can sell and the volume they can sell.

Mr. **Peek**. Well, Senator, we have 12 or 14 million unemployed and we have perhaps two thirds of our people who could afford to pay a fair price, probably more, and because we have a limited number who are unable to pay a reasonble price, I think is no reason for taking the farmer's products away from him or permitting them to be taken away from him for less than they are fairly worth.

Senator **Thomas**. Mr. Peek, do you understand that this bill from the broad conception is intended to raise the general level of farm commodity prices to more nearly enable them to be on a parity with the manufactured prices?

Mr. **Peek**. Yes.

Senator **Thomas**. Will you tell the committee how much money it will take, in round figures, to accomplish that purpose?

Mr. **Peek**. I think no one can tell the committee that, Senator, for this reason: I believe that upon the announcement of the passage of this bill by Congress and the determination of the administration to stand behind the farming industry of this country, the prices paid to the farmers will increase.

Senator **Thomas**. Nevertheless, that will cost something. The Secretary told us the other day that he thought it might take $800,000,000. Do you share in that opinion?

Mr. **Peek**. I have seen figures presented by the packing industry showing that it will amount to that for livestock alone.

Senator **Thomas**. The other question I want to follow up with is this: Whatever it takes, whether it is $100,000,000 or $800,000,000, or a billion, who is to pay that sum, whatever it may be?

Mr. **Peek**. I think that some of it can be squeezed out in the distributive system so that it need not be passed on to the consumer. And to demonstrate what I mean, I will say that before the war, wheat was selling at over 90 cents a bushel in Kansas City, and bread was selling at less than it is today when wheat is less than half that price in Kansas City.

Senator **Thomas**. If the farmers collectively get whatever sum this is, $500,000,000 or $800,000,000, of course some one must pay it, and they must pay more then than they are paying now. Do you see any other way, eventually, for that sum to be raised save through the consumers of farm products?

Mr. **Peek**. Yes; I see things that can be done in the channels of distribution. I think we have a wasteful system of distribution as compared with foreign countries. For instance, in France, Germany, and Italy, even in England at present, the foreign producers are getting a dollar a bushel or more, and have been, with the exception of England, for several years, more than our farmers are getting for their wheat, and bread is selling at less than it is here, so there is something inherent in our distributive system here which is consuming, which is taking a larger toll from the producers and/or the consumers than it does in those countries.

Senator **Thomas**. Does this bill, in your opinion, grant sufficiently broad powers to enable the Secretary and his colaborers to adjust that feature of this matter?

Mr. **Peek**. I think it will go a long ways, Senator. I do not think it will do it all. It does not cover railroad transportation, and some of these other items.

Senator **Bone**. Mr. Peek, what do you consider some of the most prominent factors of waste in our distribution system, and if you enumerate them, or part of them, how do you think they might be corrected under this bill? How are we going to get at excessive freight rates and other factors that enter into the selling price of a commodity?

Mr. **Peek**. I think, Senator, you are not going to get at the excessive freight rates under this bill, except as the influence, as the result of the administration of this bill is brought to bear on the freight-rate structure. I think that there are elements of waste in distribution, and I have referred to them 2 or 3 times, in the practices of buyers and sellers both, which results in an unreasonably low price to the producer of the commodity.

Senator **Bone**. What language is in this bill, or what mechanism is set up that would enable the Secretary of Agriculture to get at any of those unhappy practices?

Mr. **Peek**. Both the agreement section and the licensing section.

Senator **Shipstead**. The licensing section would give control of the distributing system, in your opinion?

Senator **Bone**. Do you think the powers are broad enough to give the Secretary of Agriculture power to require these men to remove men from their payrolls to cut operating costs?

Mr. **Peek**. No; I do not think that, but I think where there is a very vicious practice going on of a large buyer conducting his business in such a way as to break down the market price to the consumer, that practices of that kind may be eliminated under the provisions of this bill.

Senator **Bankhead**. I understood you to say that over a long period when the raw materials had passed through the most highly organized handlers, the level of prices had been lower than others that did not pass through highly organized agencies. How do you account for that, Mr. Peek?

Mr. **Peek**. I account for it by the practices among the highly organized agencies.

Senator **Bankhead**. In other words, they have been taking the price out of the producer?

Mr. **Peek**. I think so.

Senator **Shipstead**. Is that due to monopoly control of the market?

The **Chairman**. I want to call the committee's attention to the fact that Mr. Simpson has been here for quite a time, and the committee has asked him, at considerable sacrifice to him, to appear.

Senator **Bankhead**. Mr. Chairman, before this witness leaves the stand, there is one thing that I want to get into the record on this discussion of the acreage program, and, if Mr. Peek will give me his attention, I want to ask him just one question.

Mr. Peek, I understood from your testimony that you rather minimized the effect on production as the result of decreased acreage, and you emphasized the effect of changing weather in large part. That is true; but over a period, an average of years, do you attribute it largely or most exclusively to weather conditions?

Mr. **Peek**. Oh, no, Senator; I think I did not make myself clear.

Senator **Bankhead**. Now let me call you attention to a statement on cotton, because you were discussing cotton. In 1915 to 1919, the 5-year period, the average acreage was 34,000,000; the average production was 11,500,000 bales. From 1925 to 1930 the acreage went up to 45,000,000, and during the same period the average production went up to $15,000,000. So, from that statement, would you not say that the acreage has a very large influence over an average period of years on the production?

Mr. **Peek**. I will answer your figures by citing some of my own.

Senator **Bankhead**. Just from what you know, would you not say that?

Mr. **Peek**. No.

Senator **Bankhead**. You think the increase in acreage over an average period of 5 years has nothing to do with the increase in production?

Mr. **Peek**. No; I do not think that. Of course, I say that productive acreage in well-established productive areas has a great deal to do with the amount produced, but I refer to the fact that in all the cotton States the average per acre in 1930 was 147 pounds, in 1931 it was 201 pounds, and in 1932 it was 162 pounds.

Senator **Bankhead**. That varies by the year, but I am bringing to your attention the fact that over an average period of years you get the same proportionate increase in production that you have for the proportionate increase in acreage.

Mr. **Peek.** Well, my observation is that over a period of years, in the case of cotton, that 5 years' production, taking a 5-year period, any 5-year period, has been consumed, that the world takes the cotton over a period of 5 years, but the violent fluctuations in the market occur as the result of market influences.

Senator **Bankhead.** Well, you would not say it had been consumed for the last 5 years, would you?

Mr. **Peek.** I have figures here which——

Senator **Bankhead** (interposing). When we have wound up with a surplus now of 13,000,000 bales that has been accumulating every year, increasing every year for 4 or 5 years.

Mr. **Peek.** But what did we do? We refused to sell it. The policy adopted by the Farm Board was to withhold the supply and not keep the channels of trade open. The policy of the Farm Board was to withhold cotton, while on the other hand England had a pool of a million bales of cotton which they used to depress our price all the time.

The **Chairman.** We cannot control England.

Mr. **Peek.** That may be so, but we can control our policy within this country to combat it.

The **Chairman.** Certainly; and the point that I want to make is this, and then there are some other questions, and we want to hurry on. I want to ask you if the logic of this bill is not to restrict production to domestic consumption? Now, use as an illustration, we export 50 percent plus of American cotton; we consume nearly 50 percent. Now, if it is profitable to grow cotton for domestic consumption but is unprofitable under present conditions to grow for export, then as you raise the domestic price you encourage curtailment to just produce what we can sell profitably here and produce none for export. Now, that may be all right in an emergency of this kind, but we do not want to give up our export market until such time as these clouds clear away; we do not want to give up our export market, and we want to have such encouragement as to maintain that export market; but every element of this bill is to restrict our production to domestic consumption, because it is under our control, and we therefore, under these artificial methods, can raise the price perhaps to a profitable level for that portion that is sold domestically. That is the logic of it.

Mr. **Peek.** Senator, your understanding of it is just exactly the opposite of mine. My understanding of it is that we are going to put the power of Government behind the farmers and the processors of farm products, to the end that we may raise prices to a fair level within the United States and meet world competition without the United States without having the price break down within the United States. I agree with you thoroughly in the case of cotton. I think we have a world monopoly of cotton growth, and it is a source of great national wealth, but I think it is the time of all ages that we should permit the very great resources that we have to destroy us as a nation, and that is what we are doing. We are permitting our ability to grow cotton perhaps as cheaply as any nation in the world under the present marketing system, to permit the marketing of the proportion of the crop used in the United States at the world level of prices, and the system is being encouraged by governmental action to do that very thing.

The **CHAIRMAN.** But this condition does not arise from the world prices fixing ours, because we have commodities here of which there is not enough to supply domestic demand, the prices of which are as disastrously low as those that show a surplus.

Mr. **PEEK.** Senator, I can not agree with that. I would like to know what they are.

The **CHAIRMAN.** Sweetpotatoes, for one, which formerly brought a dollar a bushel, and now they are 10 cents a bushel, and you can not give them away, hardly.

Senator **WHEELER.** Let me interrupt you. Of course, if the two large basic commodities, such as wheat and cotton, are depressed and there is no purchasing power in the people that produce those great basic commodities, it is bound to bring down every other commodity, whether it has a tariff or whether it has not, or whether we produce a surplus or whether we do not produce a surplus.

Mr. **PEEK.** But not to the same degree.

Senator **WHEELER.** No; not to the same degree; but if you do not have the purchasing power in the people that purchase the great basic commodities of cotton, wheat, and corn, there cannot be anything else happen excepting that all other commodities, whether we produce more than we consume or otherwise, but what has got to come down to some extent, and that is evidenced by the absolute collapse that has taken place in every industry in the United States.

Mr. **PEEK.** Now, add to that condition the fact that on the two commodities you mentioned the prices we receive generally for the products are the world's level of prices and the price that the farmer pays for what he buys is a protected-level price.

The **CHAIRMAN.** Now, you take the article of eggs. We import vast quantities of eggs from China, and yet eggs went down to where they were hardly worth gathering and selling.

Senator **WHEELER.** That is because of the fact, as I pointed out awhile ago, that at the present time the currency of China is depreciated something over 50 percent, and the reason why you are buying some manufactured goods at such a low price, notwithstanding the fact that you have a tariff on them, is because of the depreciated currencies of these countries; and why in the name of goodness the Congress of the United States cannot see that situation and try to remedy it is beyond me.

Senator **THOMAS.** Let me ask this question, Mr. Peek. Immediately before the bank holiday, and immediately after, the Government placed in theoretical circulation in the banks of the country more than $1,000,000,000 of new money. During that time commodities of all kinds, including real estate properties and stocks, went up substantially; wheat went up, say, 7 cents a bushel, other things in proportion. Then all at once the process turned, and last week, the second week ago, the Government took out of circulation $269,000,000, and on yesterday, the second week, the Government took out of circulation $638,000,000. So in 2 weeks' time the Federal Reserve System, or the Government, has taken from circulation $907,000,000 and during the time that money was taken from circulation, commodities went right back down again. Do you associate the putting of money into circulation, making it more plentiful and cheaper, with rising prices; and conversely, the taking of money from circulation, making it scarce and high resulted in falling prices? Do you concur in that sort of reasoning?

Mr. **Peek**. I think that credit rather than money perhaps has a great deal to do with the situation. I think that under present conditions with the farmer, it makes little difference whether the medium is gold or silver or paper or something else, as long as he never gets any of it, and that the immediate problem with him is to get something out into his hands, which is some kind of money.

Senator **Wheeler**. But, Mr. Peek, just remember this, that after the war, when these other countries inflated their currencies they did bring up farm products within their own country. When France depreciated her franc she brought up the price of commodities, farm commodities, within her own country, and made it possible for the farmers to pay off the indebtedness that they had. The same thing happened in Germany, the same thing happened in Austria. They went to the extreme, but when anybody says that the amount of money in circulation does not affect commodities—it is the only way you can bring up commodities, in my judgment, at the present time, is to get more money into circulation.

Mr. **Peek**. But, Senator, I do not pretend to know very much about this money question, but I fail to see how, if you put out a billion dollars more in currency tomorrow through the usual channels, to be fed down through the top, that it will be very long before it will be right back where it started from.

Senator **Wheeler**. Unless you put out tomorrow—supposing you started on a program tomorrow to expend $5,000,000,000 in currency in putting people to work in this country, commodity prices would very rapidly and very soon go up. There would not be any question about that at all. It would not affect world commodity prices, but you could, by the issuance of that paper to pay those people, you could raise the commodity prices within the country.

Mr. **Peek**. You mean all commodity prices?

Senator **Wheeler**. All commodity prices within the country.

Mr. **Peek**. But the unorganized industry of agriculture would remain subject to the same influences in the situation as it does now.

The **Chairman**. Mr. Peek, if there are no other questions, we are very much obliged to you.

Senator **Frazier**. Mr. Chairman, I wanted to ask Mr. Peek about his statement in regard to unpopular laws. I take it he referred probably to the Farm Marketing Act and the Farm Board?

Mr. **Peek**. No; I referred particularly to the eighteenth amendment and the Volstead law. [Laughter.]

Senator **Frazier**. Well, that is similar in a way. I want to get your opinion as to whether or not this Farm Marketing Act would be popular with the processors, with the exchanges and the boards of trade, and so forth?

Mr. **Peek**. You mean this new law here?

Senator **Frazier**. Yes.

Mr. **Peek**. I think it would be opposed by them. I think it would not be popular with them; no. I think you must divide them, however. I do not think you can include them altogether. I think that the exchanges are interested in the volume of business; they are interested in the world influences on the market, to get the maximum amount of trade, regardless of what the price is. I think that there are some processors—in fact, I know there are some—who would welcome an opportunity to improve the general situation, although at the same time they are just a little apprehensive of what might happen under this bill. But again I say that with sympathetic administration, such as I am sure this act will have under this administration, the cooperation of a great many of them will be secured, enough to insure successful operation of the law.

The **Chairman.** Mr. Peek, have you ever had any personal experience in farming?

Mr. **Peek.** Yes, sir.

The **Chairman.** To what extent?

Mr. **Peek.** I was raised on a farm.

The **Chairman.** You were raised on a farm?

Mr. **Peek.** I left the farm when I was 16 years old.

The **Chairman.** You left when you were 16?

Mr. **Peek.** Yes, sir.

The **Chairman.** Have you farmed any since?

Mr. **Peek.** Well, I own 4 farms and try to operate 1 or 2 of them now.

The **Chairman.** You are making money on them? I just wanted to know if you had some practical experience, because I, together with other members of the committee, have been desirous to have those testify here that know the practical thing itself, that depend on farming for their living, absolutely depend on the farm for their living, and I just wanted to know about that. You are not connected with any farm organization?

Mr. **Peek.** I am a member but not officially connected.

The **Chairman.** Now, if there are no other questions to ask Mr. Peek, we will hear Mr. Simpson.

Mr. **Peek.** Senator, I would like to answer your question about eggs. In 1932 the figures stood on eggs at 74, with wheat at 44, and with hogs at 48. So eggs did not come down to the extent that other products did.

The **Chairman.** That must be the reflection of the price after they had reached the general market. I know that throughout the country eggs got down to where they were 10 cents or lower.

Senator **Wheeler.** Six cents.

Mr. **Peek.** I know that is true, but the statement is generally made that the unprotected commodities, like wheat and cotton, have not suffered any more than some of the other commodities, and I think that is not correct. I think that the livestock and grain areas have suffered more than any of the others. I think the figures will show that.

Senator **Murphy.** The failure of prices that are monopolistically fixed, the failure to reduce fixed charges made by, we will say, the Interstate Commerce Commission, the failure of those prices to go down commensurate with other prices has driven further down the prices of things that are uncontrolled. Eggs would not be so cheap if all other prices had declined proportionately.

Senator **Pope.** Just one question, Mr. Chairman. Mr. Peek, I think I received a letter from you saying that you had some amendment to the House bill that you would like to suggest?

Mr. **Peek.** No, they were amendments I suggested to the Senate Finance Committee, to the House bill that passed in the last session, which was then pending before the Senate.

Senator **Pope.** Then you favor this House bill substantially as it passed the House?

Mr. **Peek.** I think that the broad powers are necessary—without discussing them word for word, I would say "yes." I have raised the question as to certain constitutional provisions, but aside from that I think that the broad powers are absolutely necessary to any successful correction of the situation.

The **Chairman.** We will now hear Mr. Simpson. Please give your name and address and whom you represent, Mr. Simpson.

STATEMENT OF JOHN A. SIMPSON, PRESIDENT OF THE NATIONAL FARMERS UNION, OKLAHOMA CITY, OKLA.

Mr. **Simpson.** My name is John A. Simpson, president of the National Farmers Union. Washington address, Cavalier Hotel; home address, Oklahoma City, route 3. I also represent the Farmers National Holiday Association.

The **Chairman.** That is universal, is it not? [Laughter.]

Mr. **Simpson.** It has more members than any other farm organization that ever existed.

The **Chairman.** Farmers voluntarily and involuntarily?

Mr. **Simpson.** Yes, sir. This bill—and I want to analyze it, H.R. 3835 is the one I am reading from, the House bill—section 1 of that bill is a price-fixing section.

Senator **Wheeler.** What section?

Mr. **Simpson.** Section 1, and paragraph 1 of section 2, on page 2. It is a price-fixing bill, and it violates all precedents for legislative price fixing. It sure is an experiment, not only in this section but in others, as I will get to them. You can hunt through the history of price-fixing legislation and you will find that it has always been based on cost of production, including interest on investment. This bill does not pretend to get cost of production to the farmer. The facts are, this bill would not get half of the cost of production, on an average, for the products named in the bill. Now, why the farmer, when Congress comes to legislate price fixing for him, should be given half of the cost when all other folks for whom prices have been fixed get cost is more than I can understand. It sure is an experiment.

On that same page there is another experiment. Paragraph 3 of section 2. That paragraph is well worth studying. It is really a consumers' bill. This section 3 guarantees to consumers that they can eat the farmers' bread and butter as long as this law is in existence, and wear his clothes, wear the clothes made out of his cotton, at less than cost of production. That section guarantees that the price shall not go above that parity price. Ridiculous. It sure is an experiment. In connection with that section we will go over to another section.

On page 8, at the bottom of page 8, paragraph (b), you will discover a paragraph there that permits the Secretary of Agriculture to reduce the price to the farmer below this parity. It is mandatory on him to make it above, but it is optional whether he maintains it at this parity price or, if he finds out certain things, he can reduce it. It sure is an experiment.

Now, going back to page 3, title 1—and I am going to offer just one suggestion about title 1, and that is under section 3, paragraph (a). You should have a provision that the Secretary of Agriculture shall not pay more than the market price for the cotton he buys; otherwise there would be no chance for a profit to the farmers whom you turn it over to. With that one suggestion I leave title 1.

Senator **Wheeler**. What was that suggestion again?

Mr. **Simpson**. That you do not leave the power with the Secretary of Agriculture to pay just any price he wants to for that cotton.

The **Chairman**. Shall not pay in excess of the market price?

Mr. **Simpson**. Yes. I might have a thousand bales to sell to him; he ought not to pay more than the market price for that cotton if you want it to be of real benefit to the farmers who are going to purchase it.

Senator **Shipstead**. You mean if he purchases it in the finished product?

Mr. **Simpson**. No; title 1 provides for the Secretary of Agriculture buying cotton, not buying cotton goods, but buying cotton, and I suggest that you limit him to the market price that he can pay for the cotton he buys.

Senator **Shipstead**. Of the farmer?

Mr. **Simpson**. No; he can not buy it of the farmer; he has got to buy it from the Farm Board or other agencies of the Government.

Senator **Wheeler**. That is, you think that after the words "to sell" should be the words "at the market price"?

Senator **McGill**. After the word "upon" in line 7, insert "not in excess of the market price."

Mr. **Simpson**. Yes.

The **Chairman**. In the negotiations he will attempt to bring that about now, but I think that is a good suggestion.

Mr. **Simpson**. If you do not put that in, you will have a scandal in it, is my prediction.

Then on page 6 you have started another experiment when you attempt to regulate 30,000,000 men, women, and children on the farm. There is no price-fixing legislation in the world that has such a regulation in it. Here you are going to regulate production by regulating acreage. It is impossible. You would have to have God on your side to be sure that it would work. I know that last year, in round numbers, the total wheat crop was 700,000,000 bushels, and there was not much difference in the acreage of the year before, which produced over 900,000,000 bushels, or about 900,000,000. There was more than 20 percent decrease in production, but not nearly so much difference in the acreage. I have seen years in my State, Oklahoma, when a less number of acres produced more than twice as much wheat as the year before.

The commodity marketing organizations, the cotton growers, the wheat growers, have had experience regulating the farmer through a contract—we had the biggest cotton growers' association in the United States and handled more cotton than any other association—we got to the point where we handled a third of it, where we handled much more in percentage and more in number of bales even than Texas, and we had an ironclad contract that a farmer signed up for 7 years that he would deliver all his cotton to the association, and we could not make it work. Some farmer that did not like the treatment he had received or imagined he did not like it, the next year he was not farming, but his wife was farming, or some of the children, and they would go out and attempt to make him pay the penalty, even sue him, and so on and so forth. It caused lots of commotion, and they had to give it up as an unworkable provision—their contract—and for the Government to go out and attempt to regulate the acreage of these farmers—the production through acreage—will be doomed to failure.

Another thing, these farmers are not producing too much. We need all this. What we have overproduction of is empty stomachs and bare backs. If you ever get 12,000,000 men and women that are out of employment to work, earning a daily wage, getting a nice check at the end of the week, you will find that the farmers need to produce what they are producing; that they will need to produce more dairy products, Senator Shipstead.

Senator SHIPSTEAD. They will need to eat the butter, too.

Mr. SIMPSON. They will eat more dairy products, eat butter instead of oleomargarine, eat these eggs and this bacon that now as objects of charity they can not eat even when the eggs get down to 7 cents a dozen. They eat soup.

Senator MCGILL. Mr. Simpson, with reference to the wheat land in this country, applied to this provision with reference to renting land and having it lie idle for a year, how much land capable of being used in the production of wheat do you say there is in this country that is not being tilled at this time?

Mr. SIMPSON. Well, I could not give the acreage, but it is untold acres.

Senator MCGILL. Probably about half of it is being used at this time?

Mr. SIMPSON. I could not say, but there is lots of wheat land yet that is undeveloped. But that was my next topic; it was the renting section of this bill. If you do it fairly, you must provide in the bill that every farmer shall have an opportunity to rent his proportion of his land, otherwise you will have a scandal that stinks to high Heaven, because if you do not put that in the big insurance companies and mortgage companies will come in saying, "I have 200,000 acres here in North Dakota, Mr. Secretary of Agriculture, and we will rent you that." Why should a Secretary of Agriculture go out and deal with 2,000 farmers when he can get just as much land out of production by one lease with the Union Central Life Insurance Co.?

The CHAIRMAN. Why could not a provision be put into the bill restricting it to those that are actually engaged on their farms in the production of whatever commodity you want to reduce?

Mr. SIMPSON. It must provide that every little farmer shall have an opportunity to rent his land. I have control of 700 acres of land, as productive land as there is any place in the United States; I will be glad to rent it at some of these prices that I see floating around, or half of those prices—and it is not marginal land.

Senator MCGILL. It would also have to provide that the big farmer could not break new land and start planting it in the same commodity.

Mr. **Simpson**. I have heard it estimated, Senator, that there are 30,000,000 acres of land now that has gone out of production, has not been ploughed in the last 2 years, that if this bill goes through they are going to be out there getting it turned over by the time the agent for the Government comes along to rent it—30,000,000 acres that will be back in production ready to lease to you by the time your agent gets there. Some of the insurance companies have 100,000 acres, 200,000 acres—three fourths of the land has not been in cultivation in the last 2 years—and they would be glad to get it back to where it at least would be rented by the Government and get some returns from it.

Senator **Wheeler**. They would be glad to rent it for enough to pay the taxes.

Mr. **Simpson**. You can have it for paying the taxes.

Senator **Capper**. Referring to your statement that you are against the reduction of production, do you oppose a section like this, this leasing section?

Mr. **Simpson**. Oh, yes; that will be a scandal. The Secretary of Agriculture can be the most honest man in the United States, he is going to have a thousand employees under him, and there will be 90 per cent of them that will not be as honest, and so it will be a scandal. It will wreck the Democratic Party. [Laughter.]

Senator **McGill**. I do not know whether these gentlemen over here will object to that or not. [Laughter.]

Senator **Wheeler**. All these Republicans will vote for it then. [Laughter.]

Mr. **Simpson**. And when I say that I will not have to come back here and apologize to you a year from now. I said some things here a year ago, and I do not have to apologize for them now. They came true. All this legislation will be of as little value toward bringing prosperity back to this country as the things you were doing a year ago in the way of moratorium and reconstruction finance and home-loan legislation.

Senator **McGill**. You object generally to the proposal in the bill seeking to control acreage?

Mr. **Simpson**. Yes, sir. Never try to regulate the farmer. Get the farmer a price for what the home folks use, just like you get a price for the producers of this electricity for what the home folks use.

Senator **Kendrick**. Do you think it would be as difficult to regulate the farmer as it has been to relieve him? [Laughter.]

Mr. **Simpson**. No; it will be much more difficult to regulate him than it has been to take it off of him.

Now, on page 8 there is another experiment. In all other price-fixing legislation they never went way down the line and taxed some person who processed or did something and then bring it back and hope and pray that a portion of it will get to the producer. They just fixed the price that the consumer must pay when he used it. That has been the history of price-fixing legislation; but they experiment when they come to fix prices to the farmer, and they say: "We will tax the processors." Here is the little elevator, here is the big elevator, and here is a grain firm on the Chicago market that has handled it and handled it and handled it, and finally it gets to the processor, and then you tax the processor, and you hope and pray that a part of it at least will get way back to the farmer.

Senator **Kendrick**. Is it your idea, Mr. Simpson, that it would be more satisfactory to make direct appropriations and give to the farmer this amount instead of passing it along the line?

Mr. **Simpson**. I am not advocating that, but there would be a lot more sense to it, Senator [Laughter.] I am advocating that you do not have to have an experiment if you want to price fix for farm products. Do exactly what they do for railroad companies, what they do for electric-light companies, what they do for gas companies, what they do for telephone companies, and a hundred other things through different divisions of the Government.

Senator **Capper**. You would just arbitrarily set a price for farm products?

Mr. **Simpson**. Yes; and you can go to legislation on that subject and you will find precedents even in agriculture.

Senator **Wheeler**. That is what they did during the war.

Mr. **Simpson**. During the war they set an arbitrary price on wheat. As far as regulation goes, it worked 100 percent, and the only thing that was wrong about it was that they set it below cost of production. The wheat farmers of this Nation fed the Nation and fed the Allies at less than cost of production right during the war. That is shown by the figures of the Department of Agriculture. Doctor Spillman was in charge of the cost accounting department. The next year after the war Congress passed a bill that provided for a minimum guaranteed price for the 1919 crop of wheat of $2.26 per bushel for no. 1, Chicago base.

During the war, with the set price, the grain exchanges had to close. You cannot gamble on stamps, because the stamp is one price. When wheat was just one price in Chicago the speculative market had to close, but when the new bill passed in March 1919 guaranteeing the farmers $2.26 minimum price, when that law went into effect the 1st of May of that year, 1919, the grain exchanges opened up on wheat, and in less than 30 days they had wheat $3 a bushel on the Chicago market, and it remained at about that price, sometimes a little under and sometimes a little above, for a year—as long as that law lasted.

You do not have to have an experiment. You can go back and do what the Congress did in 1919. If it worked on wheat in 1919, it could have worked on wheat every year since. If it will work on wheat, it can work on any of the basic farm commodities.

Senator **Capper**. How would you determine what a fair price would be?

Mr. **Simpson**. The Department of Agriculture spends about $2,000,000 a year, has been doing it for 20 years, to arrive every year at what was the cost of an average bushel of wheat during the year. When they said the average was $2.48, the wheat farmers out there in Kansas and Oklahoma and Nebraska got about $1.85, 63 cents a bushel less than cost. In 1931 the Department's figures showed about $1.10 a bushel cost and about $1.05 for last year. That is already determined by the Department. You have a Department that does that every year, and no use is made of the figures.

Senator **Capper**. What profit in addition to cost of production woud you add?

Mr. **Simpson**. Just interest on the investment included in those costs. That is the profit.

Senator BONE. Would you fix a figure at which the wheat should be sold, or the minimum price?

Mr. SIMPSON. We farmers, of course, would like to have it fixed at the minimum price. We think that the speculators would go above it. They did in 1919 on the whole crop, and we believe that on the domestic consumption part of the crop they would speculate above the minimum if it was made a minimum.

Senator NORRIS. Mr. Simpson, I do not want to be understood as contradicting you, but your statement about what happened with that minimum price does not agree with my recollection. Of course, I am only speaking now from recollection, and my recollection may be wrong, but as I remember it, when Congress fixed the minimum price it was the intention, without any doubt on the part of Congress, that it should be really a minimum price.

Mr. SIMPSON. You mean for the two years of the war?

Senator NORRIS. Yes. But what happened was, that when they attempted to carry out the plan—and Hoover was the man that carried it out—that minimum price became the maximum price.

Senator FRAZIER. During war time?

Senator NORRIS. Yes; that is what I am speaking of.

Mr. SIMPSON. You are right except in just this little bit: Mr. Hoover was food administrator; Julius H. Barnes was in charge of the United States Grain Purchasing Corporation up in New York City. We farmers still have the receipts where we complained to a mill in our State that they were not paying as much for wheat as they ought to, and the miller said: "Why, I can't pay more. They won't allow me to." Well, we wired to Mr. Hoover, food administrator, asking whether this price was a minimum or maximum price, and Mr. Hoover wired back: "It is a minimum price." Then the next day a load of wheat was presented to that mill and we showed them the telegram and the miller paid us 25 cents a bushel more than he had the day before, and he said: "I will report this to Mr. Barnes, under whom I am licensed," and the wire came back from Mr. Barnes: "A second offense and your license will be canceled."

The CHAIRMAN. That occurred in this way: In the drafting of that bill it was understood that that $2 was to be the minimum and the blue sky the limit above it, but there was a paragraph further on in that food-control bill which provided that whoever had charge of any of the commodities under that bill should fix a maximum beyond which if anyone went he would lose his license and be liable to whatever penalty the bill provided, and immediately after the promulgation of that law the food administrator fixed the minimum as the maximum. That is what occurred. That provision in the bill provided that the food administrator, the one having the matter in charge, should fix a maximum beyond which it would be considered profiteering to go, and he was authorized to state that maximum and to enforce penalties on those who went beyond it.

Senator Nelson, at the time the bill was passed, said that he believed this amount of $2, or whatever it was—it was the minimum—would be found to be the maximum, and I remember that I considered there was no joker in the bill, and I said I did not see how he could read that into it, when the law expressly provided that the $2 was the minimum, and whatever else beyond that he might get, he could get it, but further on, away toward the last of the bill—as I remember it, it was quite a lengthy bill—there was that proviso that the food-control agency would have the power to fix a maximum beyond which if anyone having a license went, he would be penalized, and they fixed the minimum as the maximum. That is what occurred.

Senator Norris. Let me say, again I may be wrong because I am speaking only from recollection, but I was there, and I have a pretty definite recollection, because I think I voted against the provision and I did it on the ground, and said so, that the minimum price fixed in the bill was going to be the maximum in actual application, and it turned out afterwards to be that way, but my understanding is that it became the maximum because there was only one person in the United States who could buy wheat either for ourselves or for our Allies; it put us all in the hands of this National Grain Corporation, and they would not pay any more than the minimum, and that is the way I think it came out.

The Chairman. No; I think it was by regulation. I think you are mistaken, Senator.

Senator Norris. It might have been fixed by regulation, but I do not think that was the law.

The Chairman. Yes; it was the law.

Senator Norris. But it was because they would not pay any more than the minimum.

Mr. Simpson. Anyway, it operated in that way.

The Chairman. Yes; it did.

Senator Norris. Yes; it worked out that way.

Senator McGill. Is it your idea, Mr. Simpson, to fix a minimum price on that portion of the commodity domestically consumed?

Mr. Simpson. Yes.

Senator McGill. And the surplus, if there be a surplus, that could be sold on the world market?

Mr. Simpson. That could be sold on the world market, at whatever the world market price was.

Senator Frazier. Or kept off the market?

Mr. Simpson. Yes. I would prefer that legislation—that you would provide for settlement on each load. The mill or elevator that the farmer takes his load of wheat to is licensed by the Secretary of Agriculture and has been told that the cost was $1.10 a bushel, we will say, and suppose that six sevenths of the crop is needed for home consumption, and suppose we raised, in round numbers 700,000,000 bushels, and 600,000,000 is needed for domestic consumption and 100 is the exportable surplus, and suppose that that licensed elevator had been told that "For every load of wheat that comes in you must settle on the basis of giving them $1.10——

Senator McGill (interposing). Not less than $1.10?

Mr. Simpson. Not less than $1.10 a bushel for six sevenths of the load, and for one seventh they would pay the farmer whatever the world price was. If a 70-bushel load of wheat came out to your home town, Senator McGill, the elevator would for 60 bushels pay $1.10, or $66, and for the 10 bushels that is the part of the exportable surplus they would pay the average world price, 30 cents we will say, which is $3. That is $69 that the farmer would have for his load of wheat instead of 30 cents for the whole business, $21 he did not receive.

The **Chairman.** Why would it not be feasible to add the two together on the basis of percentages? Ascertain what the world price is likely to control for a season, and the domestic price, add them together on the basis of percentage and fix that minimum so you would not have that confusion in mechanics of so much at one price and so much at another price?

Mr. **Simpson.** That would be all right, Senator.

Senator **McGill.** That world price would not stay the same all the time.

Senator **Norris.** In that case you would give the farmer a certificate?

Mr. **Simpson.** No; you would not give him a certificate; the buyer just pays him 30 cents for one seventh of the load and $1.10 for six sevenths. You do not regulate the farmer at all. You just regulate a few thousand elevators and mills. That is the way they did it during the war and the year after the war.

Senator **Capper.** Mr. Simpson, is there a bill before Congress that carries your plan for fixing prices on farm products?

Mr. **Simpson.** Yes; there is. Congressman Swank has introduced in this session such a bill. Senator Thomas, a year ago, introduced such a bill and it finally was incorporated in the bill that Senator McNary introduced in both the session a year ago and the short session. A mighty good bill.

Senator **McNary.** That was the bill carrying the three plans?

Mr. **Simpson.** Yes. That bill made it mandatory to get the cost of production to the farmers, then gave them three ways of getting it, equalization fee, debenture, and our farmers' union allotment.

The **Chairman.** And leaves it to the farmer to regulate whether he is going to produce an excess above domestic consumption or not?

Mr. **Simpson.** Yes; turn him loose. If he is fond of work he will have a big excess that he does not get much for; but what the home folks use he will sure get paid for it. And I want to tell you something—it was a question here a while ago—no person is extra fond of work, and the farmer is no exception.

The **Chairman.** United States Senators are. [Laughter.]

Mr. **Simpson.** And the farmer, if you gave him 40 cents a pound for cotton and $3 a bushel for wheat, in 2 or 3 years he will be raising less wheat and less cotton than he raises when it is 6 cents a pound—when cotton is 6 cents a pound and wheat is 30 cents a bushel. It is the old story: he has to balance the budget. You can take the average farmer right now, he does not go to town once a week, hardly. Back there when cotton and wheat were a good price, he used to go three or four times a week. The farmer does not take a vacation in the winter any more, or in the summer when the work is done. He cannot. The farmer today has either got his car in the garage, not using it at all, has not taken out a license; or, if he has, he just uses it for necessities, not for pleasure. You give him a price for his products and you will be complaining about the old fellow being shiftless and not working enough. I was before some members of the Federal Reserve Board back there in January 1920, and one of the reasons given for the bringing down of prices was, they said, "the farmers are growing so prosperous they won't work." That was one of the plans to make him work. You put wages up to $15 a day and you cannot get men to work as many hours in a day as when wages are $1 a day. When our harvest hands used to cost us $7 a day, we could not get them to work over 5 days a week, and a lot of them only 4 days, they wanted to go to town the rest of the time; but with wages now about 50 cents on the farm they will work every day in the week, including Sundays.

Senator **Frazier**. And glad to get the work.

Mr. **Simpson**. Yes; glad to get a job at 50 cents a day. Those are fundamental things that a farmer understands who has been in the hiring business.

Senator **Shipstead**. According to your line of reasoning, low cost increases production.

Mr. **Simpson**. Increases production, yes. If you would make wheat $3 and cotton 40 cents you would wake up some morning and find that the farmers were not producing enough to feed the people of the whole Nation. If you have those prices in vogue for a period of 10 years—for two or three years I will admit he is so far behind with his taxes and interest that he would work pretty steady, but after he got out from under he would want to have some fun like the rest of folks, and he would not work all the time.

Senator **Frazier**. There is no reason why he should, is there?

Mr. **Simpson**. He is entitled to it, Senator, with exception that he has never had the moral courage to rise up and tell the rest of the world that he is going to have it. Some of these days he will do it.

Senator **Frazier**. That is what your holiday movement is leading to.

Mr. **Simpson**. I want to say this, Senator Frazier: I am just from two big nation-wide farmer conventions. I called a meeting of the National Farmers Union in Omaha for the 11th of this month. That was a week ago last Saturday. It was one of the biggest conventions we ever held in the way of representatives from all over the United States of our organization. The only States that did not send their representatives were the ones that were so far, like yours, Senator McNary, out in Oregon, that they could not get enough cash to pay transportation, the banks all closed, and they sent us wires to that effect, but from those that were close enough we had 14 States represented.

We unanimously passed resolutions condemning this bill as we had read it in the papers, and we found out afterwards that was tolerably accurate. We wired the chairman of the House Agriculture Committee our opposition. There was no division among us. They were there from Oklahoma and Kansas and Colorado and Nebraska and the Dakotas and Iowa and all over the country, and there was no division. Those farmers said, "Nothing less than cost of production is a fair deal to us. Any bill that you put up that does not get that is not even fulfilling the terms of the Democratic platform." And I want to say to you Democrats that I hold right under your eyes the contract that we made with the Democratic Party, we farmers, on the 8th of November last, and if you will look at it you will see that it promised us that you will do everything possible to get cost of production for our products. That is one of the agricultural planks, and Senator Wheeler, you wrote the plank. [Laughter.]

Senator **Frazier**. And you are one of the good Democrats yourself?

Mr. **Simpson**. We expect fulfillment under that contract of the Democratic Party.

Senator **Bone**. How often would whatever agency was set up to determine the proper market value, make findings so as to fix the price?

Mr. **Simpson**. Once a year.

Senator **Bone**. By the season?

Mr. **Simpson**. Once a year.

Senator **Bone**. In other words, on the 1st of January, or whatever time is selected, the price of wheat would be fixed at $1.10, or $1.25 for the year?

Mr. **Simpson**. Not the 1st of January on wheat.

Senator **Bone**. No; I am just using that as an illustration.

Mr. **Simpson**. At the proper time. The Government act has all the figures, you know, and they could make those announcements.

Senator **Bone**. Then during that entire year that price would obtain on the domestic consumption?

Mr. **Simpson**. On the domestic consumption; yes.

Senator **Bone**. That seems certainly a far simpler plan that you suggest.

Senator **McGill**. It is your idea, Mr. Simpson, that with reference to the amount of commodities consumed in this country you would make it unlawful for the purchaser to purchase the commodity unless he paid the minimum price established by law?

Mr. **Simpson**. Yes.

The **Chairman**. You would not penalize him above that?

Mr. **Simpson**. Not the farmers; I would not. [Laughter.] And Senator Capper was chairman of an investigating committee that investigated the big bakers a little over two years ago, and the big bakers testified that the price of wheat is never reflected in the price people pay for bread. They testified that if you gave them the flour they could not reduce the price of a loaf of bread more than a penny.

Senator **Capper**. Yes, and the prices of bread today are just about what they were two or three years ago when wheat was two or three times its present price.

Mr. **Simpson**. Yes; and on that same basis I am sure that wheat could be put up to $1.10 a bushel and bread would remain right where it is, not a chance in the world for bread to go up. When the war price of wheat was $2.20 in Chicago, in 1917 and 1918, they added 6 cents to cover freight rates; then when the 1919 crop came on after the war and we had this made a minimum and the speculators put it up to $3 a bushel, that crop was at least 75 cents a bushel higher, yet the price of bread was the same, and Congress appropriated a billion dollars to back up that guarantee, and they never had to spend a dime of it. It did not cost the Government anything, and it did not cost the consumers anything.

Senator **Frazier**. During the World War they fixed the price and the Government made money handling wheat.

Mr. **Simpson**. Yes; during the two years of the war the Government made about $60,000,000 in handling the farmers' wheat. They never did give it back to the farmers, either.

Senator WHEELER. They lost a lot of it on manufactured products.

Mr. SIMPSON. Well, here is a principle to remember also: That the price that the producer of the raw material gets, I do not care whether it is wheat or copper or coal or oil or what it is, is never reflected in what the processed article sells for. In the last two or three months the price of crude oil has been cut in two in the middle. It had gotten up to 80 cents, and it is down to 40 cents now.

Senator SHIPSTEAD. Is that on account of the tariff we voted last spring?

Mr. SIMPSON. No; it is on account of some decisions on proration which they have not been able to control as well as they wanted to, I guess. They are an unorganized group, the oil companies are, just like the farmers.

Senator WHEELER. We put a tariff of 4 cents on copper, and copper is selling for about 5 cents.

Mr. SIMPSON. Yes. But what I wanted to say is that the price of crude oil has dropped from 80 cents to 40 cents, and I pay just as much for gasoline as I did when crude oil was selling for 80 cents. The facts are that about 4 years ago crude oil ran from $2 to $2.50 a barrel, something like that, and it went down to as low as 10 cents a barrel, and yet there was practically no difference in what the consumer paid for a gallon of gasoline or a quart of oil.

Senator NORRIS. Mr. Simpson, suppose we were going to pass a bill along those lines, what would you suggest as to what farm products should be included?

Mr. SIMPSON. Well, I think this bill is pretty fair. Somebody here said a while ago that it did not include sheep, and so forth, but it does.

Senator FRAZIER. It includes sheep but not wool.

Senator NORRIS. I am not speaking of this bill.

Mr. SIMPSON. All I was going to say—I have no objection to the commodities included in this bill. I think it includes wool. I have no objection to the list. And then, as I understand it, it is left flexible so that they could include other things. The bill that Senator McNary introduced for us and got a favorable report on from the Senate Agriculture Committee, provided that any time a group of producers came in and complained that they were not getting cost of production, their products could be included. I am sure that you will have to include farm commodities that we do not export. Senator Smith, I will add one thing to your list, flax. Flax is selling almost as cheap, relatively, as wheat and yet I do not suppose we produce one third of the flax we use in this country. There is no exportable surplus.

In the census reports from 1920 to 1930, that 10-year period, we lacked a billion pounds of exporting as much wool as we imported. So it does not follow that if you were to reduce the production of wheat down to domestic consumption, farmers would get cost price for it. It might sell just as cheap, because the farmers are an unorganized group and have nothing to say about the price of their product. This Government must regulate the marketing of farm crops, not buy and sell them, but regulate the marekting just like they regulate the marketing of transportation. The reason I was not here ready for this committee meeting was that I was over before the Interstate Commerce Commission with the other farm group in a hearing over there to see whether or not there would be a general investigation of freight rates at this time.

Senator **Norris**. I would like to ask you this—I asked a previous witness this same question; a question that has always seemed to me to be one of the important—I think vital—questions connected with particularly the farmers, but in reality with all the consumers as well: What about freight rates? Is it not true that the Canadian farmer, for instance, on wheat, makes from 10 to 12 cents a bushel by the saving in freight between the exchange points?

Mr. **Simpson**. Yes; he has a much lower freight rate than we have in this country.

Senator **Frazier**. The Canadian freight rate is 60 per cent of our freight rate. That is the figure commonly given.

Mr. **Simpson**. And that leads me into another thing. I believe you could fix the price of farm products just like you fix the price through the Interstate Commerce Commission of freight rates and passenger rates, and then we farmers would still be down in the depths of the depression. Why? You could double freight rates and it would not save the railroads. Why? Because there is no business. You could fix the price, and with the present conditions, things growing worse and worse and worse, the army of unemployed growing larger and larger and larger, and while we would have a good price for what the folks did consume, the consumption would be reduced to such an extent that it would be of very little benefit to us.

Primarily, to make any of these laws work, you must have a medium of exchange with which to do business. It is all taken from us, the medium of exchange. You can talk about the medium of exchange, but the banks control it. They have it and they can withdraw it any time they want to and paralyze business. I do not care how many laws you pass, you give me control of the volume of money and of the credit of the country, and you can just pass any kind of side-issue laws you want to, and I can ruin you any time I want to. The fundamental thing is that you should furnish the citizens of this country a medium of exchange that is not controlled by private individuals. You have got to come to that or none of these things will work.

Senator **Shipstead**. Mr. Simpson, you do not believe, then, in what has been preached here for years, that if people only realized it, they can go down with their money and get gold for it any time they want it, and that will solve all our troubles?

Mr. **Simpson**. Not exactly; no. It has developed that it does not operate that way.

The **Chairman**. Mr. Simpson, how much longer would you care to testify? It is now 5 o'clock, and we will have a session tomorrow and would be glad, if you want to finish, to have you come on immediately following the Secretary of Agriculture.

Mr. **Simpson**. I want to come back. I do not want to finish tonight, Senator.

Senator **Wheeler**. I would like to ask one question. You accused me awhile ago of writing the platform. I think you wrote that portion of it and I got it into the platform. [Laughter.] Your organization—at least, I was informed that your organization at their convention in Omaha recently—was that the Farmers Union?

Mr. SIMPSON. Yes.

Senator WHEELER. That they went on record with reference to the question of money, did they not, and endorsed unequivocally the bill to remonitize silver?

Mr. SIMPSON. Absolutely. The farmers are for the remonetization of silver. And I want to go just a little further and then I am through for tonight.

I was telling about the Omaha convention. I went from the Omaha convention to the first Nation-wide farmers' holiday association convention. They had never had anything but State conventions before. The first State organization was established on the 3d of May of last year, and they have been organizing all over until they had their first national convention a week ago Sunday in Des Moines. That was the biggest farm convention I ever attended. There were thousands of farmers there from 17 States, and with other States farther away wiring the same thing, that they were prevented from coming on account of not being able to get cash.

Senator KENDRICK. Did they take any action on this bill?

Mr. SIMPSON. They unanimously condemned this bill. They unanimously condemned it and sent wires in here to that effect.

Senator CAPPER. There was nothing in it that they approved?

Mr. SIMPSON. Not a thing. The holiday association organized on the basis, Senator Capper, of saying they will stop the minute you pass a bill that provides for cost of production for farmers. They are to keep up their efforts until Congress gives them a bill that provides cost of production, just like the railroad gets, just like the telephone, and so forth, gets. When you pass that kind of a bill, they automatically go out of existence. They are an organization that has the spirit of 1776. They have taken courts by the arm and led them into a room where there was no telephone, and locked them up, and then told the sheriff he was needed at the other end of the county, and he went, and they have thrown ropes around the necks of the attorneys that brought the foreclosure proceedings, until they begged for mercy and made settlement according to the terms of the farmers.

The CHAIRMAN. Are there any symptoms that they are moving toward Washington? [Laughter.]

Senator FRAZIER. Give them time.

Mr. SIMPSON. Senator, they talked about those things. They said:

> We don't need to go to Washington. All we need to do is to get well enough organized so that we can stop the bread from flowing in and the cotton from flowing in, and let the folks have Washington.

The CHAIRMAN. That is very refreshing. [Laughter.]

Mr. SIMPSON. No; they will not march on Washington.

Senator BONE. Mr. Chairman, I want to ask Mr. Simpson one question, to see if I get this straight in my own mind.

The desire of yourself and your organization is this, reduced to simple terms: That the Government by legislation which you suggest, this valorizing scheme, shall do for the farmer in this area that you mention, this area of production, exactly what every State of this Union has done for the electric light and power companies?

Mr. SIMPSON. Yes; and the telephone companies.

Senator BONE. Only in a somewhat more simple form.

Mr. SIMPSON. Yes.

Senator BONE. In other words, they fix the price, as we are doing in the State of Washington and every other State in the Union, at which electric energy shall be sold, and the public pays that price or goes without?

Mr. SIMPSON. Yes, sir; that is right.

Senator BONE. We have done that for the telephone companies, too.

Mr. SIMPSON. Yes; we would just like to have the principles of the interstate commerce law applied to agriculture.

Senator CAPPER. Mr. Simpson, I remember 2 years ago when you were before the committee you were advocating this arbitrary price-fixing plan and citing that it had been successfully used during the war, and I remember there was a board-of-trade man here at that time before the committee and he was asked what he thought about it, and he said that that was all right, that it could be done in war time but that it could not be done now, raising the question of constitutionality. I wonder if you have ever looked into that phase of it.

Mr. SIMPSON. This phase of the constitutionality, and it is the only one that I know that needs to be looked into, and that is whether or not agricultural products are interstate-commerce business, and you have a case from North Dakota that is straight in line in which the Supreme Court of the United States held that the minute a load of wheat leaves the farm it is interstate-commerce business, because you cannot distinguish between the part of that load of wheat that will go out of the State and the part that will be consumed in the State, and therefore it is interstate-commerce business. If that is true of wheat, it is doubly true of cotton, it is doubly true of pork and beef and wool.

Senator WHEELER. Of course, you have some constitutional questions in this particular bill.

Mr. SIMPSON. Plenty of them.

Senator FRAZIER. I do not think there is any question but what Congress could declare an emergency and say that an emergency exists at the present time.

Mr. SIMPSON. Yes.

The CHAIRMAN. There is a question now to be decided by the committee. The impression was that Secretary Wallace, who appears in the morning at 10 o'clock, was to appear in executive session, and was so informed, that it would be an executive session. Now, is it the desire of the committee to have open sessions for the Secretary, or an executive session?

Senator CAPPER. By all means it ought to be an open session.

Senator KENDRICK. After we have invited him and told him that it was to be an executive session, I think we should follow that until he has finished his statement.

Senator McGILL. Either that, or if he has no objection, it can be an open session.

Senator **Kendrick**. I do not mean to deny the request that he testify, but just concur in his wishes.

The **Chairman**. Then if it meets with the approval of the committee we will have the Secretary here in the morning, and as soon as we are through with him we will have open sessions and continue the hearings.

I want to call Mr. Simpson's attention to the fact that I have a very eloquent plea from a gentleman that peanuts be added to the bill.

(Whereupon, at 5:10 p.m., the committee adjourned until 10 a.m. Saturday, March 25, 1933.)

AGRICULTURAL EMERGENCY ACT TO INCREASE FARM PURCHASING POWER

SATURDAY, MARCH 25, 1933

United States Senate,
Committee on Agriculture and Forestry,
Washington, D. C.

The committee met, pursuant to adjournment, at 10 a.m., in its committee room in the Senate Office Building, Senator Ellison D. Smith presiding.

Present: Senators Smith (chairman), Kendrick, Wheeler, Thomas of Oklahoma, McGill, Bankhead, Caraway, Murphy, Pope, Norris, McNary, Capper, and Frazier.

The Chairman. The committee will be in order. Inasmuch as the Secretary cannot get here right away, and as Mr. Simpson is here, we will ask him to go on, if he is ready, and complete his testimony.

STATEMENT OF JOHN A. SIMPSON, PRESIDENT OF THE NATIONAL FARMERS UNION, OKLAHOMA CITY, OKLA.—Resumed

Mr. Simpson. In my statement yesterday I had gotten down to page 12.

Senator McGill. That is the House bill?

Mr. Simpson. Of the House bill. Section 11 gives the basic products and says that they are to be regulated. I have made a careful estimate and I believe with field men to regulate 6½ million farmers, with 9 basic crops, it will take 100,000 employees, and when I use that number that permits one employee to each farmer; and, as I said, if you carry on this rental business in a fair way you have got to contact every farmer and give him an opportunity to rent his share. No one man can supervise more than 65 farmers. That is about half a township. I figure that for the regulation of the handlers of the commodities and the processors of the commodities and the clerical forces and experts and all that it will take another 100,000. That is 200,000. As a job crop producer it will be a success.

The 200,000 will not average less than $3,000 expense, each one of them, to the Government in salary and expenses. Many of these positions will entail considerable expense every day. That would mean it will cost the Government to administer this not less than $600,000,000 a year. It is utterly impossible. Some forecasters have said that you do not expect to produce more than $800,000,000 from the taxes.

Senator McGill. You mean $600,000,000 in addition to the rentals paid?

Mr. **Simpson.** Yes, sir; I am not talking about the rent. That might bring it up to very close to the expected income of $800,000,000.

Senator **Kendrick.** Under such circumstances would you not consider it more economical and satisfactory to the producers of livestock and grain and other commodities for the Government to pay the premium direct to them rather than the deferred plan of attempting to compel the consumer to pay it?

Mr. **Simpson.** If you were going to use $800,000,000 and pay it direct, there would at least be a much higher percentage of it get to the farmer than will be the case under this system.

Senator **Kendrick.** To the producers?

Mr. **Simpson.** Yes; to the producers.

Senator **McNary.** Before you leave that section, Mr. Simpson, do you think the bill would be simpler of administration and less expensive, probably more practical, if the basic commodities which you find here were limited to wheat and cotton?

Mr. **Simpson.** Yes; I am sure of it. They are the easiest to operate.

Senator **McNary.** Do you see any difficulty in including livestock, sheep, and hogs?

Mr. **Simpson.** It would be more complicated.

Senator **Norris.** Right on that point let me ask you, approaching the subject now from the viewpoint of one who wants to get the right kind of a bill, would there be any danger if everything were eliminated except wheat and cotton? Would there be any hardship on anyone, any person who would otherwise get relief from this bill?

Mr. **Simpson.** No, sir.

Senator **Norris.** Would it be a practical proposition to confine the activities of this bill to wheat and cotton?

Mr. **Simpson.** If you were to confine it to wheat and cotton, I do not think it would work a hardship on anybody else, but there would be—it will be " be damned if you do " and " be damned if you don't." You will be damned for including other stuff, and you will be damned if you do not include it. There will be lots of criticism back home saying " they didn't treat us hog farmers right."

Senator **Kendrick.** Mr. Simpson, in that connection I want to ask you if you know of any sentiment on the part of the sheepmen or the cattlemen of the West to have their commodities included in this bill?

Mr. **Simpson.** No, sir, I do not; not in this kind of a bill. The facts are that in the West I do not know of very much sentiment in favor of the bill at all.

Senator **Kendrick.** Yes; but my question is, Do you know of any sentiment on the part of the sheep or cattle men for the inclusion of their commodities in this bill?

Mr. **Simpson.** No, sir; I do not believe I do.

On page 13, section 13, we find that this bill not only starts as an experiment but it is only temporary. These farmers do not want temporary relief; they want permanent relief. These farmers want the same kind of permanent relief that the railroads received 26 years ago. That was not a temporary bill that was passed by Congress 26 years ago—the interstate commerce law—and, so far as I have been able to find, no Member of the House or Senate has ever offered a bill to repeal the interstate commerce law. It seems to be satisfactory and it is permanent. The railroads can depend on this Government seeing that they are given rates that will equal cost of production. The farmers want a permanent remedy. We want a bill that will be here in 26 years. We want a bill that we who have farms now will know that next year we are going to get cost of production for that part of our products that the home folks consume, and that next year we are going to do it; that five years from now we are going to do it, so that we can, as accurately as it is possible for a farmer to figure, know just what bills we can meet, know what expenses we can incur, and that we will be able to pay them. We want it so that our sons can purchase and make a payment on 40 acres or 80 acres or 160 acres, and that they can figure that in just so many years on the average crop they will be able to pay it out. We want it so that our grandsons can figure on being farmers and know that they are going to get the same treatment that other groups get from the Government.

Senator **Kendrick**. Mr. Simpson, may I ask, in the consideration of the resolution that you passed in your organization—the Farmers' Union, is it?

Mr. **Simpson**. The Farmers' Union and the National Farmers' Holiday Association.

Senator **Kendrick**. Have you considered any plan under which there might be a restriction of production

Mr. **Simpson**. We do not want the farmer restricted in any way but we do want the home folks to pay us cost of production for what they use. Then it is up to us to take care of the surplus.

Senator **Kendrick**. Then you would limit this arbitrary price of farm products to those consumed in a domestic way?

Mr. **Simpson**. Yes, sir. So far as the farmer is concerned in my organization we do not want to burn a ton of coal at a less price than it costs the producers to produce it; we do not want any lumber at less than it costs the producers to produce it, and we do not want American citizens to wear our cotton and woolen clothes, to eat our bread and butter at less than it costs us to produce it.

The **Chairman**. Your idea then would be that from year to year this cost of production would be a sliding scale; that if the things that you consume increase in cost of production, in like manner you would raise the price of commodities to the farmer?

Mr. **Simpson**. Yes, sir.

The **Chairman**. And if the things that they consume began to go down, farm products would go down?

Mr. **Simpson**. Yes, sir; that is the way all price-fixed products are regulated. They do not maintain the one price throughout eternity. As the cost changes, the price that the consumer has to pay changes. In my State cotton gins are regulated by our corporation commission. They fix the price every year that the farmers must pay for gin service; they fix the price the farmers must pay for bagging and ties; and it all depends on the difference in cost of fuel to run their plants, the difference in cost of repairs, and it may go up or down—the difference in the cost of labor. Each year there is a price set that those farmers must pay the gin.

Senator **Kendrick**. Has your organization worked out plans through which such legislation could be enforced without an army of Federal employees?

Mr. **Simpson**. Yes, sir; it does not take any army at all. We have the 1919 precedent in wheat, the year after the war, when this Government did fix the price, and all it took was just a sufficient force to license about 5,000 mills and elevators, and instruct them what they had to pay. That is all it took. Once in a while there would be an elevator that would pay less than the farmer thought he was entitled to, and the farmer would complain and the Government would send an inspector there, and if he found it true he would force them to pay the farmer the balance due him.

Senator **Norris**. Would your idea be to fix the price, say, for wheat in Oklahoma and all over the United States?

Mr. **Simpson**. All over the United States the same.

Senator **Norris**. Then the person who used the wheat would have to pay in addition to that the cost of transportation?

Mr. **Simpson**. Well, I would say that we pick certain terminals, like they did during the war, and that the price be based there, and, of course, you would have to deduct from that Chicago no. 1 or that Minneapolis no. 1 or that Kansas City no. 1, transportation.

Senator **Norris**. What I am getting at is, would the price, for instance, at Kansas City be the same as the price at Cleveland, Ohio?

Mr. **Simpson**. No; I do not think so. They did not have it the same during the war.

Senator **Norris**. You would have to come to this then: You would have one place where you fixed the price, and then vary it according to the freight transportation.

Mr. **Simpson**. Yes, sir. That is the way it was done during the war and a year after the war. Chicago was probably the high price, if I remember correctly, and then other places less, as they were distributed over the country as price-fixing bases.

Senator **Kendrick**. Would your estimate of the cost vary from year to year?

Mr. **Simpson**. Oh, yes; each year would determine. The year you raise 900,000,000 bushels of wheat on 50,000,000 acres, we will say, the cost would be a little less than the year you only raised 700,000,000 bushels on 50,000,000 acres. And that happened with the 1931 crop and the 1932 crop. You had a variation of 200,000,000 bushels with a similar acreage, and that, of course, would mean a difference in cost.

The **Chairman**. So that this question of freight rates would be absorbed in the cost of production, so there would be no incentive to go into the question of freight rates.

Mr. **Simpson**. Not a particle.

The **Chairman**. If the freight rates went up, that would be added to the cost of production.

Mr. **Simpson**. That is what happened with the 1918 crop The 1917 crop was set at $2.20 Chicago, no. 1, and before the next crop came on they increased freight rates to the extent of 6 cents a bushel, and so for the 1918 crop the price at Chicago was $2.26.

The **Chairman**. They just added the freight.

Mr. **Simpson**. Yes. It is simple, requires no army. It requires no army to regulate the price of electricity that the people buy. It does not require any army to regulate the price the farmers have to pay for ginning.

Senator NORRIS. There is quite an army regulating the price of electricity, but they are not employees of the Government.

Mr. SIMPSON. Yes, there is an army. I warrant you it will take 20 times as many to regulate farm production under this bill as it takes to regulate all the railroads of the United States in their price fixing. I think I am conservative when I say there are not over 10,000 employees under the Interstate Commerce Commission.

Senator MCGILL. Under your theory, Mr. Simpson, would you fix the price at the exact cost of production? Is that your idea?

Mr. SIMPSON. Including interest on investment. I might say, if we had our national secretary here, who is our expert in a plan for developing costs of farm crops, it would be most interesting to hear him. He is an expert on it. We have had him in places where there would be a hundred economists, and he would present his plan and they were unable to find any holes in it.

I can just in a word tell you how we set up costs. It is very different from the way the Agriculture Department does it. Take, for instance, a wheat farmer. We find out what is the average-sized wheat farmer. We find, say, that the average wheat farmer produces 200 acres; then we find out what the average production for a wheat farmer is that has 200 acres. Say it is 3,000 bushels. We then find out what average side lines of income a wheat farmer that produces 200 acres has. He sells so many eggs; he sells so much cream; he may have a few hogs. Then that is the income of the side lines. Then we build up his budget and we build up a budget on what he is entitled to as an American citizen. He has the average of 5 children. He has 1 in the grade schools, 1 in the high school, and 1 in the university, and we put in the budget the cost of sending 3 children to those different schools. We put that in the budget. His children are entitled to dental care. You know the average white farmer—I am not talking about negroes—the average white farmer, more than half of them do not give their children dental care, so we put what an average family of 5 children should have in the way of dental care per year, and put that in the budget. We provide that his wife can have hospital care. You know, the average farm woman never was inside of a hospital in her life. Many times she has borne a dozen children and never had a doctor at confinement times. She is entitled to hospital care, and we put what the average expense is in there. They are entitled to some recreation, and we put in that expense. When we have built up the budget, of course there is the expense of producing, but we have the expense of the family living in too.

We deduct what is received for his eggs and his cream, and so forth, from the budget. Then his 3,000 bushels of wheat must bring a price that will equal that budget. That is the way we arrive at it, and in arriving at our basis of figuring we come out a little higher in what the estimated cost of an average bushel of wheat and the average pound of cotton is than the Department over here does. If we would ever get a law that allows us cost of production, we would be there when they are making up the figures, showing them where we are entitled to more. As long as the figures are just matters of record, of course we do not go over and go to the expense of showing them that they are not including all the things they should.

Senator **Norris**. Can you give us the deductions, the conclusions, that you have reached in the average cost of wheat for different years on the plan you have outlined?

Mr. **Simpson**. In recent years our average cost of wheat will run up around $1.50 a bushel; and corn will run——

Senator **McGill** (interposing). Is that based on the Chicago market?

Mr. **Simpson**. On the Chicago market. Corn will run about 90 cents. Cotton will run about 20 cents. The Department's figures over here for the last few years will show cotton about 17 and wheat, if you take in the last 5 or 6 years, wheat $1.25, and so on. We are higher than they are because we are demanding a standard of living for farmers that is equal to what other people have, and we are entitled to that, we feel.

Senator **Norris**. I would like to ask you another question there: Has there been a bill introduced in either House that meets with the approval of your organization?

Mr. **Simpson**. The Swank bill in the House, which is before the House Committee on Agriculture now, is satisfactory to us. I cannot give you the number.

Senator **Norris**. The Swank bill? That is sufficient.

Mr. **Simpson**. And Senator Thomas introduced more than a year ago a bill, S. 3133——

Senator **Frazier** (interposing). That was the last session?

Senator **Norris**. The last Congress?

Mr. **Simpson**. Yes; that was in the former Congress, a year ago.

Senator **Thomas**. That bill was incorporated in the bill reported by the committee through the then chairman, Mr. McNary.

Mr. **Simpson**. That bill you will find in title 3 of Senator McNary's bill.

Senator **Capper**. That was to be operated through the Secretary of Agriculture?

Mr. **Simpson**. Yes; in the Thomas bill it was put under the Secretary of Agriculture; in the McNary bill it was left with the Farm Board, but that is immaterial.

Senator **Pope**. Do you have the number of the McNary bill?

Senator **McNary**. That is a 3-way plan bill that I introduced at the request of these major organizations, farm organizations. It was reported to the Senate, passed, and recalled by motion. That was Senate No. 5023, Seventy-second Congress, second session, and the report that I submitted as chairman of the committee is report no. 732, Seventy-second Congress, first session.

Senator **Capper**. That had the same fate as Senator Frazier's bill on refinancing, and several other bills reported out by this committee, which never got any further than to be presented to the Senate, and the Senate turned them down. Now, the Senate committee is here trying to work out some kind of program for agriculture.

Senator **Norris**. I want to ask this question for my information particularly, but I want to get it into the record so that any student of this subject that wants to look it up can get the bills that have been introduced. I wanted it in the record, which is the reason that I brought it out.

Mr. **Simpson**. And I want to say that Senator McNary's bill was the only bill ever introduced for agriculture here, a farm marketing bill, that the three farm organizations, the Grange, the Farm Bureau, and the Farmers' Union, were for 100 percent. That is the only bill that has ever been introduced that we all agreed on, on marketing.

Senator Capper. That did not seem to make any impression on the Senate, I am sorry to say.

Mr. Simpson. Well, maybe the Senate will be more impressionable now.

Senator Norris. There were many Members of the Senate involved there that were not members of this committee.

The Chairman. Has there been any bill introduced this session along the lines indicated by you?

Mr. Simpson. Not in the Senate, but in the House there has been. As far as I am concerned, I am still of the opinion that there never was a better bill than Senator McNary's bill that the Senate Committee on Agriculture reported out. There is not a thing wrong with it. It first makes mandatory that the Government get cost of production to the farmers for that portion of their product consumed in this country. That is the part that is mandatory. There is nothing wrong in giving them three ways or any combination of those three ways to get it. Maybe on one crop the debenture would be the better way; maybe on another crop the licensing of the buyers and fixing the price of the portion needed for domestic consumption would be the better way. They do not have to use anything that does not work; all they have to do is use what will work out of these three ways or any combination of them. I can see on cotton, Senator, that you could use two. For what the home folks consume, we can have that price fixed at cost of production, and we can put an export debenture on the other and help the cotton farmer.

Senator Capper. Do you think your organization would be satisfied if Congress passed the McNary 3-way bill?

Mr. Simpson. We would fall down on our knees and give thanks to the Almighty. We would be happy to have that bill; yes, sir; and I am sure the Grange and the Farm Bureau would be happy to have it. We all three agreed on it 100 percent. I am not speaking for them but I am just saying that I am sure they would not tell you that they would not like to have that bill.

Senator Wheeler. Let me ask you this: You have given some study and some thought to this allotment plan; do you think the allotment plan can work out?

Mr. Simpson. Well, it depends on what allotment plan. The original allotment plan is found there in title 3 of the McNary bill and was the Farmers Union allotment plan. We are for that, 100 percent, but I do not think much of this counterfeit that was built up on our plan, known as the domestic allotment.

Senator Capper. How did yours differ from this?

Mr. Simpson. Well, the very first vital thing is, the domestic allotment plan does not provide for cost of production. It says half of the cost is enough for a farmer. That is enough to condemn it.

Senator Kendrick. It might be enough to get started with until we got used to it.

Mr. Simpson. A farmer that is to start now needs about twice the cost of production. He is so far behind with his payments on his mortgage and interest and taxes that you cannot start him on less than cost of production. He ought to have more. After a year or two you might have him down to a little less, but for a starter he certainly needs cost of production or a little more.

The Chairman. The difference, then, between the bill before us and the bill that you propose is that this provides a parity which may not even approximate the cost of production?

Mr. Simpson. Yes.

The Chairman. Yours has no reference to parity at all, and simply confines itself to the cost of production plus?

Mr. Simpson. Yes. Of course, cost of production absolutely brings you to a parity, because the things you are buying determine what cost of production is, and you have got to have your cost up to where it equals what you have to buy and what you have to pay, interest and and taves, and so forth.

Senator Wheeler. If that was the case, would not bringing it up to parity give the farmer cost of production?

Mr. Simpson. Not when the parity that you bring it up to was half of cost. You are bringing it up to the parity of 1909 to 1914; we were not getting cost then.

Senator Wheeler. It depends, I mean, on whether you bring it up to 1914—I mean it would be possible under such circumstances to have more than cost of production, or you might have less than cost of production, depending upon what that price was at the time.

Mr. Simpson. Senator, we found that it is not half the cost.

Senator Wheeler. You found that it was not half the cost at the present time, or was not half the cost then?

Mr. Simpson. Well, it was not half the cost then, nor is it half the cost now.

Senator Wheeler. The point that I wanted to make is this: Your cost of production differs at different times, of course?

Mr. Simpson. Yes.

Senator Wheeler. Depending upon labor and depending upon price of farm machinery, and depending upon many things?

Mr. Simpson. Yes.

Senator Wheeler. Now, I think anybody that has given any thought to the subject at all would feel that any farmer, of course, ought to have cost of production. It seems to me that no farmer can operate on any other basis except to have cost of production, and any idea of not giving him cost of production is certainly ridiculous, because he can not stay in business and he can not operate unless he does get cost of production; and if he does not get cost of production, it is only going to put him further and further in the hole.

Mr. Simpson. Yes, sir.

Senator Wheeler. But I would assume that under the operation of this bill surely the Department of Agriculture would not think of giving the farmer less than cost of production. This is for the purpose of rehabilitating the farmer.

Mr. Simpson. This bill prevents them from giving cost of production. It says you cannot give higher than that parity back there, which we know in the case of wheat—90 cents in Chicago—is not cost of production. The Department of Agriculture will tell you that.

Senator **Wheeler**. Now, is there anything else in your bill—is there any other difference between your bill and this bill, excepting with reference to the provisions as to cost of production? In other words, would you be satisfied with this bill providing it is provided that the farmer shall be given cost of production in fixing it upon the basis of parity?

Mr. **Simpson**. I will say that, so far as the farmers are concerned, if you will fix it on cost of production, we will be satisfied; but I warn you that you are getting into a mess when you try to regulate production.

Senator **Wheeler**. Then, what do you mean by "regulate production"? I take it you mean regulate production by the leasing plan?

Mr. **Simpson**. Yes. We are not going to say that we will not be satisfied if you give us cost of production. That will satisfy us.

Senator **Wheeler**. Now let me ask you, I am not able, of course, to speak for some sections of the country, but I am entirely in accord with you that as far as the leasing provisions are concerned, taking the land out of production, it will not operate as far as my section of the country is concerned. In my judgment it just is not in the cards for it to work, because there are thousands of acres, as you know, because you have visited that section that are now not in operation and will not be in operation for a long time unless the price of wheat goes up to where it shows a substantial profit. Not only that, but if you did lease this land where you were getting more, then there are a lot of side hills on the sides of the mountains where you might have to lease that if you wanted to take the land out of production entirely.

The **Chairman**. Senator Wheeler, are you not contradicting your own argument? You say it is out because it is not profitable, and therefore it is out, and if it was profitable it would be back in. Now, that is exactly what this leasing proposition proposes to do. There are some still continuing even though it is not profitable, and some were wise enough to quit because it was not profitable.

Senator **Wheeler**. Not wise enough to quit but they had to quit. The mortgages have been foreclosed and now the land is either owned by the county for taxes or is owned by insurance companies and mortgage companies.

The **Chairman**. Well, say it was left out because it was not profitable.

Senator **Wheeler**. That is not necessarily so. Perhaps the individual was in such shape that he could not make money on it by reason of indebtedness.

The **Chairman**. But you said it would go back in as soon as farming became profitable.

Senaor **Wheeler**. Of course it will, undoubtedly, if there is money to be made in raising wheat and the price of wheat gets up to where people can make a substantial profit. I am assuming that a lot of this land would be taken up and bought back from the mortgage companies and put into operation.

The **Chairman**. The converse of that then would be true, that as it was not profitable they took it out, and then the logic of it is that apparently not enough will be taken out to make it profitable, and then it will start back again.

Senator **Wheeler**. I think that is true.

Mr. **Simpson**. Senator, in further answer to your question if we would be satisfied if the bill provided for cost of production, I will say we would be satisfied if that is all the bill provided for, just made it mandatory on the Secretary of Agriculture that he must so regulate the marketing of farm crops that farmers will get cost of production for that portion of their crops consumed in this country, and let him use his own methods to get it, but make it mandatory to give it to the producer. That is what Senator McNary's bill is. It makes it mandatory on the Department to get us cost of production.

The **Chairman**. Just a minute. The Secretary of Agriculture is here, and as his time is limited and he must get back to the Department, I will ask Mr. Simpson to yield to him at this time.

Senator **Norris**. I wonder, Mr. Chairman, if you would let me ask Mr. Simpson right on this point he is discussing—I want to see if we can not get something practical. Let me ask him first, Would your people be satisfied, taking the bill that we are considering now, if an amendment were provided that instead of trying to get this parity that you speak of, it provided that it shall be the duty of the Secretary—perhaps give him the right to use any machinery he sees fit—to see that the farmer gets cost of production upon that part of the product which is consumed here at home?

Mr. **Simpson**. That would be satisfactory.

The **Chairman**. Now, Mr. Simpson, we will ask you to let the Secretary come to the stand.

Secretary **Wallace**. May I say, Senator, that I have until 12:30 at my disposal, and I would not care to interrupt Mr. Simpson unless you wish it.

The **Chairman**. We are not going to have any disposal after 12:30; we are all going to dispose after that, so we would like to hear you now.

STATEMENT OF HON. HENRY A. WALLACE, SECRETARY OF AGRICULTURE—Resumed

Secretary **Wallace**. I have here a brief written statement which I would like to introduce if I may without interruption and then shall we go catch as catch can?

The **Chairman**. Proceed.

Secretary **Wallace**. The administration accepts as a fundamental principle the view that restoration of the farmers' buying power is an essential part of the program to relieve the present economic emergency, not only for agriculture but for all industry and a large portion of our national credit structure.

The farmer is in a disadvantageous position because of uncontrolled production; loss of foreign markets; a protected market for the things he buys; increased overhead costs, such as taxes and farm indebtedness; loss of consumers' purchasing power during the present emergency; and finally because of increased distributing and transportation costs. These costs have increased since the war out of all relation to the value of the products, and have shown little or no decline during the present depression. They are still greatly in excess of such costs during the pre-war period.

Production and marketing conditions for the various basic agricultural commodities vary from one to another. The continuous change in economic situations makes any inflexible solution certain to be found unsuitable or ineffective after a comparatively short time. To deal with the many factors that contribute to the farmers' present situation, and to deal with those factors as they vary in application to the commodities concerned, and to meet changes in the economic situation, Congress must enact legislation granting broad and flexible powers to the administration. It must trust for a solution of the present emergency to the exercise of sound discretion by the Chief Executive and those who carry out his program. Nothing less will suffice to meet the realities that now confront us. Congress has granted such authority to meet the banking emergency. It should, in my judgment, do likewise in meeting the agricultural emergency, which is so intimately woven with the banking situation and the industrial depression.

The administration has, therefore, proposed that you grant the President and the Secretary of Agriculture broad and flexible powers. First, there is the authority to provide for the effective, yet voluntary reduction in crop acreage planted. Second, the authority to provide for reduction in the amount of any commodity produced for market. To carry out a program of either acreage or production control, authority is asked to compensate the producer through rental or benefit payments. The bill contains revenue features adequate to prevent any loss to the Treasury by reason of such control operations. Third, authority is requested to enter into agreements with processors, associations of producers, and others engaged in the handling of agricultural commodities. Fourth, authority is asked to license such processors, associations of producers and agencies, if this becomes necessary in order to eliminate unfair practices or changes that tend to prevent the effectual operation of the other features of the bill. Finally, there is authority to deal with the cotton situation for the current year through the cotton option contracts provided in the Smith cotton bill which received your consideration at the last session.

I have stated above that in my judgment all of the powers conferred in the bill are essential to meet the situation adequately. Let me set forth briefly some of the reasons for this conclusion.

First. Acreage control: Production must be balanced with consumption if the price levels are to be maintained at any level that is fair to the farmer. This is particularly true when we face the burdensome carry-overs of cotton and wheat. The taking out of acreage on a wide scale, having due regard for available domestic and foreign markets, is, at least, one necessary line of attack. I do not contemplate such reduction of acreage as meaning that we permanently forsake our foreign markets, but only that we should face the fact of the existing carry-overs and control the acreage planted with a view to keeping the new production in accord with our potential domestic and foreign markets.

That matter of what foreign market we can count on is still at the mercy of a undetermined national policy. I may say it would be a very great help in carrying out this bill, if and when it becomes a law, if we could have some clear-cut understanding with respect to the foreign policy so that we could know to what extent and at what time certain definite amounts of foreign purchasing power in so far as things of that sort can be measured will be restored to us. It may be that we are permanently out of the international wheat market. If our national policy means we are permanently out of it, we should be prepared as promptly as possible to make the necessary internal adjustments.

Second. Control of marketed production: On the other hand, acreage control is not suited to preventing over-production of livestock. It is necessary that authority be given to meet the hog situation by controlling the number, and possibly the tonnage of the hogs marketed. It may be found that control of the cotton surplus can best be handled through control of production at the gin, rather than by control of acreage planted. Natural conditions beyond the reach of the producer may necessitate production control rather than acreage control. It is necessary that the administration have not only the authority to control acreage planted, but also to control production marketed, in order to meet the varied circumstances.

Third. Marketing agreements: Marketing agreements with processors, associations of producers, and other distributors, may in many instances assure producers a fair return without the necessity for the processing tax and rental or benefit payments. It has been suggested that the hog situation can be met in large part through such agreements. Such agreements might also afford a means of assuring the tobacco producer a better price for his commodity. Through such agreements processors might find it possible to place themselves in such a position as to eliminate some of the distributive costs and certain of their practices which now serve to depress the price to the producer. The marketing agreements also afford a means of providing relief for many minor commodities with respect to which acreage or production control and rental or benefit payments are not contemplated under the terms of the bill.

Fourth. Licensing: As to the licensing provisions, I regard them as vital. They are not an end in themselves; but are supplementary authority to effectuate production and marketing programs that might otherwise be defeated through practices unfair to the public or producers, or even to the large number of processors and distributors who would be making an earnest attempt to effectuate the policy of the bill. To illustrate, I would feel that the policy of the bill were being defeated should, as a result of a 3-cent processing tax on cotton, an excessive increase in price be passed on to the consumer. The processing tax, if used, should not be availed of to pyramid costs to the consumer. The cotton farmer obtains approximately 5 cents for the cotton in a shirt which costs the consumer $1 or $1.50. A 3-cent tax, even with due allowance for wastage and other factors, should not increase that cost more than approximately another 5 cents. Should, as a result of the operation of the bill, there develop practices or charges unfair to the producer or consumer, I would feel that the licensing provision might be called into play. Without attempting to speculate as to the existence in fact of the many unfair practices frequently alleged to exist in our distributive system, it seems necessary that there should be authority to restrict such practices when they are shown in fact to exist and when they tend to defeat the other operations under the bill.

Fifth. Processing tax: The processing tax will not necessarily become operative with respect to all commodities brought under the protection of the bill. If a satisfactory price could be reached and maintained by trade agreements, no tax would be imposed. Circumstances must decide the necessity for the tax with respect to any particular commodity, and the facts will determine the amount of the tax. When rental or benefit payments are found necessary to correct the situation, the tax must produce the revenue necessary to administer the bill and to protect the Treasury from deficits. The tax is permitted to be levied, however, only with due regard for the consumers' ability to meet any increase in price occasioned thereby. This flexibility is important. As I read the substitute now under consideration by your committee, no adequate provision is made for protecting the consumer's interest by adjusting the tax with due regard thereto.

I have been quoted as stating that the operation of the measure will cost $800,000,000. I have made no such statement. The Department has made no such estimate. No sound estimate can be made in advance. The answer depends upon what products the processors tax is placed; on the current farm prices; on the amount of tax fixed, having due regard for the requirements that limit the amount of the tax; on changes in the consumer's purchasing power; and on many of the economic factors which now constitute a part of the present national and international emergency. I do desire to add, however, that the percentage of the retail price which now goes to the farmer is so small that the addition of the tax will have only a slight effect on retail prices, and that the consumer, as well as the farmer and business man, has everything to gain from a fair and balanced relationship of production to consumption that will restore to the farmer the pre-war purchasing power of his commodities.

All of the powers requested are essential if the administration is to be adequately empowered to meet the agricultural situation. The particular powers that will be exercised with respect to any given commodity at any given time cannot be stated in advance. This must be determined on the basis of investigation of facts by the Secretary of Agriculture. These investigations will be undertaken promptly upon the passage of the measure and should not serve to delay the placing of the measure into effect. Full opportunity will be given producers, processors, and other distributors to suggest the most effective use of these powers for each particular commodity. I have every expectation that not only the producers, but most of the processors, and I hope other handlers, will cooperate with the administration. Such cooperation is essential to fair and effective administration, and will, I hope, serve to avoid necessity for extensive use of some of the more drastic of the powers proposed to be conferred.

The planting season is now under way in many parts of our country. Agricultural relief is an essential part of the administration's efforts to overcome our present economic depression. Time must not be lost if any action taken is to produce the fullest benefit. I therefore urge upon you gentlemen of the committee the necessity of doing everything within your power to cooperate with the administration in expediting the farm-relief program, and of giving us a program that is adequate to meet the situation.

Senator McNary. Bearing upon the conclusion of your statement regarding the necessity of prompt action have you made an estimate of the length of time required for the allotment plan?

Secretary Wallace. I can say very frankly that we have been considering the tremendous task which the measure would impose upon us. We have not made any definite estimate of the time. We have taken up with the men at the head of the Extension Service, both in our own Department and out in the States, to what extent their people might be thrown into this picture. They have given us assurance that under the law under which they are set up their people can be thrown into a very considerable extent, not in the handling of funds, because that is not sound, but they can be a great deal of help. We believe that in the wheat thing some very rapid action and effective action can be obtained that will affect this year's crop.

With respect to title 1 of the bill——

Senator McNary (interposing). I do not want to get into that. That speaks of the Government control of cotton.

Secretary Wallace. It also has to do with acreage reduction.

Senator McNary. It is quite the other thing that I want to press. The spring wheat, of course, will be planted within 3 weeks, all of it. Cotton probably will be planted in 3 weeks, and harvested in midsummer. How long, in your opinion, would it take to set up your allotment plan? Would it be in time to catch up with the first crop of cotton and wheat harvested?

Secretary Wallace. I think under cotton there is a grave question. I was assured of the fact when the possible signing of the Smith bill was under consideration, that the bill should have been signed last week if effective action was to be had on cotton.

Senator Bankhead. Let me interject here, in answer to Senator McNary, the majority of the cotton is planted after the first of May. It is planted as late as the first of June.

Senator McNary. Someone said around the table that in 3 weeks it would be planted.

Senator Bankhead. No.

Senator McNary. What I had in mind particularly was this: Some of those around the table believe we should proceed cautiously in this very important subject and take a few days for hearings, if necessary. Is 3 or 4 days or a week vital to the situation?

Secretary Wallace. With regard to spring wheat, I would prefer to be guided by the man from the spring-wheat country. I have never lived in that country myself, and in the hearings before the House committee this same matter came up. I asked Representative Hoidale, of Minnesota, and I think one of the Representatives from Michigan, whether or not they thought the thing could be done in tim to affect the spring-wheat situation in the Northwest. Both of expressed their opinion that at any rate we should make the effort. In the Department we have been so pushed by a variety of things that I have not had an opportunity myself to consult with the men who are spring-wheat experts and to get their judgment on it. I will have to say that frankly, and I will say also, equally frankly, with my own particular background I cannot speak ex cathedra.

Senator **McNary**. I am not speaking of the division of the bill that contemplates the retirement of excess acreage. I am eliminating the Smith cotton provision of section 1. I am taking the so-called "allotment" provision, which could operate only on the finished product.

Secretary **Wallace**. You mean allotment as distinguished from rental?

Senator **McNary**. Certainly; the allotment plan as distinguished from all other plans. Now, I repeat again, the wheat harvest will probably start in the latter part of July. Have you ample time to set up the machinery and make applicable the allotment provisions of this bill in time to reach the threshing of early spring wheat, winter wheat and the cotton crop?

Secretary **Wallace**. It seems to me the rental plan could be thrown in more rapidly than the allotment plan.

Senator **McNary**. I want to know as to the allotment plan. Can you set it up in time to meet the crop of wheat and cotton maturing this summer?

Secretary **Wallace**. I would say offhand that my own casual impression is that in order to get prompt action you would probably have to follow the rental scheme. Here is a variation of the rental scheme which has been suggested, which would have the advantage of appealing to the psychology of the farmers, of making the rental vary with the taxes. We will say, for instance, that on a specific wheat farm in the Northwest the tax was 60 cents an acre, and that there were in the base period 100 acres of wheat, and the proposal was to have a 30 percent cut; in other words, 30 acres; that under the terms of our rental agreement we would pay for each of the 30 acres not merely the 60-cent tax but, say, 2 or 3 or 4 times that amount of tax; in other words, let the criterion for the rental be determined by the tax, so as to have the rental vary according to the tax, possibly hedging that around in the case of consolidated school districts, that no more than a certain percentage of the tax would go for school purposes. That has been suggested as a rapid method of throwing the rental arrangement into action. That might speed up the thing sufficiently so that you could have a measurable effect on the situation even with the limited amount of time now at your disposal.

Senator **Wheeler**. Let me ask you this, Mr. Wallace: In my section there are large tracts of land that are now owned by counties and also owned by insurance companies and by mortgage companies. Those lands will not be put into operation and planted at this time at all, in my judgment, under any circumstances. Now, would your scheme of leasing land provide that they should go out and lease those lands from insurance companies and mortgage companies at this time?

Secretary **Wallace**. It is evident that there is power under the bill to do that.

Senator **Wheeler**. But it seems to me that that would be rather a waste of money.

Secretary **Wallace**. It would be, obviously, foolish to rent land to keep it out of production when it is going to be kept out of production anyway.

Senator **Wheeler**. Exactly, but undoubtedly there will be pressure by mortgage companies and insurance companies with the idea of leasing that land and getting some rentals out of it.

Secretary **Wallace**. There is a chance for scandal there if the bill were not properly administered.

Senator **Wheeler**. Exactly. And that part of it worries me somewhat, because you could go in and rent large blocks of land throughout the northwest.

Secretary **Wallace**. And not get any effective reduction.

Senator **Wheeler**. Get no effective reduction whatsoever. That is the thing that has worried me about the leasing scheme, that made me think it would not work at this particular time.

Now, on the question of the allotment plan that Senator McNary asked you about—I was going to pursue the same thing——

Senator **McNary** (interposing). Mr. Secretary, through the kindness of the Senator from Montana, I want to pursue my question a moment further. Possibly I have not made myself clear. It is wholly my fault and not yours.

In title 2, page 6, under the subheading "Agricultural adjustment provisions. General powers ", section 8, paragraph 1, that undoubtedly embraces all the power granted to you in respect to the allotment plan or the rental plan. I think we both concede that. Is that right?

Secretary **Wallace**. Right.

Senator **McNary**. Now, assuming that you did not desire the power here designated for the retirement of acreage, but desired exclusively to use the allotment plan such as has been more in detail passed at the last session, and you want to apply it to grain, and assuming that the spring grain is harvested—they claim in Texas it is in July—could you set up the machinery to meet that situation, employing only the allotment plan to make it effective on the spring and winter grain crops?

Secretary **Wallace**. Just reading the powers in the bill it looks like it would be possible. As to whether that is feasible, that is a matter that would have to be gone into with the interested processors and producers. It seems to me to be possible. Would you not say so?

Senator **McNary**. I have not given any thought to the administration of the act, because my position is wholly one of a legislator, of course. What I want to get at is simply a practical question, the rapidity with which we should consider as important a measure as this. Is the matter of a few days important, or can you get ready to function on that allotment or rental plan—would it take you two or three weeks or a month? Have you made any estimate?

Secretary **Wallace**. It is truly appalling to think of setting up something of this magnitude overnight. I will agree with you fully on that. I will also say this, that the expectations of the farmers as to what can be done are probably so high that we will be disappointing to them, no matter how rapidly we get into action or with how great powers. I also agree with you that if you go too rapidly you take the chance of making very serious mistakes.

I will also say, further addressing myself to your question, that there are many things that can be done in view of the manner in which nature works that can be done if the thing is thrown into action next week that cannot be done if it is not. A great many things can be done. I mean to say, many farmers will get their discing or plowing done within a week. It might be that we will be blessed with a continuation of cold, wet weather, and we will have a chance to do a lot, and I would like to have a chance to do all we can and invoke the patience of the farmers to bear with us in doing all we can. I think there is a disposition to cooperate in the thing. I think haste, insofar as wisdom will permit it, is to be advocated in this emergency.

Senator **McNary**. It is your opinion that it would be necessary in administering this bill, if it becomes a law, to deal individually with the farmers of the country?

Secretary **Wallace**. That would depend on which powers are invoked, as to what extent it is necessary to deal individually. It seems to me it would be necessary to deal individually in many of the commodities.

Senator **Norris**. I want to pursue that just a little further. You have, as I understand it, until about the 1st of July, the time when the southernmost part of the country will have its wheat ready to harvest, to set up the allotment plan, if you desire to do that. That would be sufficient time?

Secretary **Wallace**. I would not calculate the allotment plan in that case. I would calculate the plan for which there is no name. It would be more nearly like the "Clair" plan, if you are familiar with that. It will not be the allotment plan.

Senator **McNary**. Suppose Congress changed the bill. Suppose when it became law you had no discretion, you had only the allotment plan left; under that plan you would have until the crop was ready to harvest to get your machinery ready.

Secretary **Wallace**. Not under the so-called Wilson allotment plan.

Senator **McNary**. I am not familiar with that.

Secretary **Wallace**. That is the plan as it was originally, essentially the plan as it appeared in the Jones bill as it was first introduced.

Senator **McNary**. And the Norbeck bill?

Secretary **Wallace**. And the Norbeck bill and the Hope bill.

Senator **Norris**. You are familiar with the plan advocated by Mr. Simpson? I have particular reference to the plan he is advocating.

Secretary **Wallace**. You are speaking of the allotment plan that would have to do with the control of marketing rather than the control of acreage?

Senator **Norris**. I am referring to a plan by which there would be no attempt to limit acreage, but when the farmer came to sell his product he would have a price that you had found was the cost of production on that part of the product that was consumed in this country.

Secretary **Wallace**. That would involve——

Senator **Norris** (interposing). If you would apply that to wheat, it would give you until the first wheat in the United States is produced, which would probably be in Texas.

Secretary **Wallace**. As I understand that plan, it would be the compulsory control of marketing in order to effect the price.

Senator **Norris**. Yes; as I understand it, that would be one way. There might be other ways that I do not know about, but I am assuming that you would have to license the dealers, the elevator men, for instance, and under that license agreement they would pay to the farmer when he brought it in—taking wheat, for illustration—they would have to pay him the price you have fixed after you have investigated and found to be the cost of production for that part of the crop that you had estimated under your investigation would be consumed in the United States, and pay no attention to the balance of the crop.

Senator **Capper**. Eliminating all taxes on the proposition.

Secretary **Wallace**. That would, in order to effectuate that price, the damming back on farmers of rather large quantities of material.

Senator **Norris**. You refer to the Clair plan?

Secretary **Wallace**. It would seem to me that if you are carrying that out, something in the nature of the Clair plan would be necessary in order to make sure that the excess wheat would not find its way into the terminal elevators, because if it found its way into the terminal elevators it would immediately have an embarrassing effect and defeat your purpose, just as the operation of the Farm Board defeated their purposes.

Senator **Norris**. I have assumed that the farmer would be through when he has been paid a certain price for that part of the crop that you had estimated would be consumed here, he would have no further interest; there would be no certificate issued to him, or any further division; but would that leave him in a difficult position about some crop getting into domestic use?

Secretary **Wallace**. I would think that you would have a very definite, strictly controlled segregation in order to make that possible.

Senator **Norris**. Why would you have to segregate the wheat, using wheat as an illustration? Your wheat would take the natural course as it does now. The production and pay for it would all be over with, and it would be divided on that basis. If the farmers of the country produced 800,000,000 bushels of wheat when your estimate was that it would take only 600,000,000 bushels to supply the domestic market, there would be 200,000,000 bushels for which he would have no guaranteed price, and every farmer who produced wheat would share in that 200,000,000 in proportion to the amount of wheat that he produced. It would not be necessary to segregate the wheat, would it?

Secretary **Wallace**. That would invoke some such conception as the equalization fee in that case.

Senator **Bankhead**. Mr. Secretary, right at that point let me ask you this. There is a carry-over of about 370,000,000 bushels of wheat?

Secretary **Wallace**. It is estimated there will be about 350,000,000 on the 1st of next July.

Senator **Bankhead**. That supply will be provided for, available in the market, before the producer would get the benefit of the sales?

Secretary **Wallace**. That is a thing that is seriously bothering some of the wheat people, that situation.

Senator **Capper**. Mr. Secretary, it is argued that this plan, which is sponsored by Mr. Simpson and others, was used successfully during the war, and in an emergency such as we have now it could be adapted to the present situation and remove all these complications that arise in the administration of the measure as it is now before us. Is there any good reason why that sort of program, is your judgment, could not be worked out?

Secretary **Wallace.** I think there is one thing we must keep clearly in mind when we compare the present situation with the war situation. You could make good on a fixed price then because of the fact that there was an extraordinary demand abroad at a price higher than—during part of the period—at a price higher than the price which was fixed. At the present time the situation is almost completely reversed. The European nationals are doing almost everything they can to keep our surplus out. Even if we gave it to them, I fear that in some cases they would not accept it. They have developed an aggressive national agrarianism over there, so the State Department tells me, that runs very deep and it is doubtful if we can break it down at any time in the near future. So when it comes to absolute price-fixing, I do not think that you can do today the things that were successfully done during the war. I think you have to be realistic about the matter. It would be possible, if it were permitted under the Constitution, to do something in the nature of the Clair plan to meet the objections which Senator Norris has been speaking about.

Senator **Wheeler.** Just what is the Clair plan?

Senator **McNary.** I have a booklet somewhere describing the Clair plan. It is an allotment plan, is it not?

Secretary **Wallace.** Using the word in the broad sense, I would say it is an allotment plan.

Senator **McNary.** Will you describe it briefly, so we will know what you mean when you speak of the "Clair" plan?

Secretary **Wallace.** I saw Mr. Clair here. He could probably describe it better than I. It contemplates working through the post office, or through the post offices, using the broad ramifications of the post office to issue to each of the producers blue tags and red tags.

The **Chairman.** I recall that plan. There are three tags, are there not?

Secretary **Wallace.** Maybe there are three tags. I would not be sure. Anyhow, we will say the blue tag is issued for the domestic part of the particular product. This tag, in effect, or part of the tag, would accompany the product as it went through all the domestic processing channels, and would be essential at every step; and the red tag—really, this would essentially be a system of bookkeeping at each post office. Suppose a man had 800 total bushels of wheat. He would have a right to send 600 bushels into domestic consumption and get a fixed price under the Clair plan for the 600 bushels of wheat. The other 200 bushels for which he had the red tag, he could hold back on the farm or he could send it into export, and in order for the wheat to move anywhere it would have to be accompanied by one tag or the other.

That is, roughly, the idea that I get of the Clair plan. Mr. Clair can tell you much more exactly about it.

Senator **McNary.** Very well. Do you think you have power under the subdivision to which I referred to employ this sort of plan?

Secretary **Wallace**. It essentially involves the idea of compulsory control of marketing and I am not sure, frankly, myself—I question whether it is constitutional. I can see some very great advantages to the Clair plan, but Mr. Clair thinks that competent lawyers have sufficiently assured him that it is constitutional. I feel that competent lawyers have assured me that it is not constitutional.

The **Chairman**. Let us not get into the lawyer business. Mr. Secretary, as I understood Mr. Simpson and the law of 1919 in reference to the fixed plan, as the Senator from Nebraska, Mr. Norris, pointed out, under the terms of that the price for a given commodity is fixed, a minimum price; now when he comes to market and a minimum price for the amount to be consumed in America is fixed, all over that either you or the purchaser has the restriction that that is to be disposed of when he sees fit and where he sees fit and how he sees fit; and the suggestion was made that the amount consumed domestically could be estimated, the amount for export could be estimated, approximately, then the percentage domestically consumed and the percentage exported being averaged, a price could be made combining those two, so that in one transaction he would get what he ultimately would get, in that one transaction.

To illustrate, about 50 percent of the cotton raised is exported and about 50 percent consumed domestically. The average between the export, the average price of export and domestic consumption would be what a cotton grower would get. If it was 8 cents a pound for export, and 12 cents a pound for domestic consumption, adding the two together and dividing them would give what he would get for his cotton.

Now, on the basis of the proposition made by Mr. Simpson, it would not be a parity; it would be the cost of production plus whatever additions you saw fit to make. Take that cost of production without reference to parity and add the two together, the export price and the domestic price, he could then sell—you could then fix a price at which both export and domestically consumed cotton would be figured, in one transaction.

Secretary **Wallace**. I did not hear Mr. Simpson's full testimony. I do not know the exact nature of his proposition. Is it my understanding that the average of the two would be high enough to cover cost of production?

The **Chairman**. No; but he would then understand just what percentage of his stuff is for export, how much is used domestically, and it involves something of the same principle in that parity proposition, only differing to this extent: That here you take in the consumer, you consider him, you consider the cost of the things that he has to buy; whereas, under this proposition, you have no regard to them, but only as they incidentally come in to affect the cost of production. You figure out the cost of production plus what he denominates a reasonable rate on the investment.

Secretary **Wallace**. If I may be permitted, I would like to offer some observations about the cost of production as a means of determining a fair price. There are many kinds of cost of production. If you use the so-called "cost accountant" method of determining cost of production, the result would be extraordinarily unfair to the farmer at the present time. I mean to say that in figuring the cost of producing an acre of cotton you have, we will say, 16 hours of man labor and 40 hours of horse labor, and so much land charge, and so much machinery charge, and the horse labor as computed by the typical farm management cost-accountant method is to take horse labor on the basis of the cheap corn and oats and hay of the year preceding, which was written into all the forces of deflation, and it is most unjust to look on that thing as the cost of production.

In like manner the man labor reflects the deflation of the period immediately preceding, and you have men actually working on the farms—we had them this last summer—in some cases for subsistence, in other cases as low as 10 cents an hour, right in the State of Iowa, which is one of the high labor States; that is, high farm labor States. So, if you figure the cost of producing an acre of corn on the basis of man labor at 10 cents an hour and horse labor on the basis of the cheap prices for corn, oats, and hay—and that is the way these cost accountants figure the cost of an hour of horse labor—you arrive at a cost of production that is totally unfair. So you have to define what cost of production is. I know Mr. Simpson's conception of cost of production, which is philosophically and fundamentally sound. I do not know, when it comes to arriving at the exact figure, I do not know whether he has carried it out in exactly the right way; but his philosophy, as I get it, is that the price for a farm product should be high enough to pay farm labor the same kind of wage as the same kind of labor gets in town, and to return on the farm investment the same kind of a return that the investment in city property brings. That is his conception—to find out what price for the different farm products will give farmers that kind of justice. That is a philosophical conception which I think all fair-minded men will agree is sound; but, as a practical proposition, when it comes to attaining—you can see one conception would give you a price lower than the fair exchange value of pre-war parity as set in this bill, the one method will give you a lower price than that; the other method should give you essentially the same result, or possibly a higher result, depending on the technique of how it is carried out. But in any event you are concerned by this: The problem is how to get farm products up to that price; we will say, how to get wheat up to 90 cents. You may have to go through the intervening steps; you may first have to get it up to 50 cents, and then 55 and then to 60. That is the practical proposal, whether you take John Simpson's cost of production or whether you take fair exchange value as set forth in this bill. It is how you are going to get that.

Senator NORRIS. Mr. Wallace, I do not believe it is contemplated by anybody that you can get a result that is mathematically correct in perhaps any individual case, because the cost of production in one case is different from the cost of production in another, and it very greatly depends upon how many acres a man has got. It might be a dollar an acre this year, and the next year the cost of production might be twice that or half that. It will necessarily have to be an estimate.

Secretary WALLACE. I would like, if I might, for the purpose of keeping the record of the Department of Agriculture clear—it may be urged that their cost of production studies have caused damage to the farmers' cause, and I would say that insofar as they have determined the hours of man labor and the number of hours of horse labor required in the different sections of the country to take care of an acre of wheat or corn or cotton, that has been fundamentally worth while and essential. Insofar as they have found it necessary, perhaps, to set the cost per hour of labor, whether horse or man, the whole thing should, in my opinion, be considered with the idea that when that price for horse labor or man labor was arrived at there was written into it the effect of the preceding deflation, and therefore the thing may not be fundamentally the cost of production except from a narrow cost-accounting point of view.

I think the Department of Agriculture's work has been very helpful in determining the physical constants that go into it, but when it gets to the monetary constants I think it may be more open to question.

Senator McNARY. Mr. Secretary, I think one of the reasons why you were called here was to express an opinion on the allotment plan on page 12.

The CHAIRMAN. Let me emphasize what the Senator from Oregon has said. That question is very vital now, because if the bill under either provision, the acreage provision, or particularly the allotment plan, is to be put into operation, what commodities, in your opinion, ought to be included? You have already a stated number.

Secretary WALLACE. From an administrative point of view, I would hope that the pressure to bring commodities under the bill would be not excessive. I would hope that we could hold the number down, so far as possible, during the first few months, and necessarily the commodities that would come in first would be those which are suffering most, the price of which is lowered relative to the pre-war situation; and you will find also that those same commodities are those most affected by the export situation, and that they are wheat, which is, roughly, 35 to 40 percent of the pre-war parity; cotton, which is, roughly, the same, 35 to 40 percent; and corn and hogs, 35 to 40 percent; whereas, in the case of cattle you will find cattle up around, as I remember it, roughly around 60 percent; sheep somewhere about the same—on the export market we have something of a deficiency of sheep and wool. They are not quite on the export market.

Tobacco: We are on the export market. Some grades are decidedly below pre-war parity and some fairly up to it. I would hope that we would confine our attention to those that are in the worst situation.

Rice has been on the export market. This year I understand that it may not be. I do not know whether it would be necessary to operate in rice or not. It is rather a small product.

The dairy products: It might be that action on that would be pushed by the dairy groups under the marketing-agreement provision, but the hope would be during the early stages to hold the number of commodities on which we were operating down so far as we possibly could, merely for the sake of administrative possibilities.

Senator McNARY. This committee in reporting out the allotment bill that passed the House showed itself favorable to the two major nonperishable crops. Is it your judgment that this bill would operate with the least difficulty?

Secretary WALLACE. I suspect that it is a little easier—well, I think it could be made to work almost as easily on the corn and hog situation as on the wheat and cotton situation. I do know that those are the three great spots to hit—wheat, cotton, and the corn-hogs situation. Those are the three great spots to hit.

Senator **Norris**. Suppose Congress struck out all except wheat and cotton. From the standpoint of the Agricultural Department and the administration, would that hinder the bill very materially? Would you dislike very much to see those stricken out?

Secretary **Wallace**. Yes; I would hate to see corn and hogs stricken out.

Senator **Norris**. I do not know what your information is; probably much greater than mine or that of any other member of the committee; but, so far as I know, almost all of the cattle men, hog men, and sheep men are anxious to get out of the bill. Is there any reason to put in any agricultural products if the producers of that product do not want to be in?

Secretary **Wallace**. Well, I will say if the producers and the packers in a meeting called together, if they fully agreed that they did not want operation, it would be folly for the Government to impose operation on them.

Senator **Norris**. The point I wanted to get your idea on is: If we did strike them out, would it interfere in any way with the plan that you have in mind for enforcing it on those that are left in, or the general idea?

Secretary **Wallace**. I would like to make a little statement on the corn-hog situation, with which I am familiar. At the present time there is no tremendous surplus of our hogs. We have exported this past year only about a quarter of our lard. We normally export about half. This past year we have exported only a fourth, I understand. Hog production has been somewhat below normal for the past three or four years, partly because of the fact that we had an extraordinarily short corn crop in 1930, the shortest since 1901; a moderately short crop in 1931; last year was slightly above normal, very much above normal in Iowa. The packers say that at the present time their stocks are a little below normal; that the spring pig crop is somewhat below normal; that all they need is a slight upturn in business confidence, and the hog situation is all right. I have told the packers, and I would like to tell you gentlemen with the greatest possible emphasis, that the overproduction in the corn-hogs region in prospect is more serious, in my opinion, than one person in a thousand appreciates. This large corn crop of the past year and a normal corn crop this next year can get us into such a surplus of hogs that the packers essentially will be unable to buy them. That is possible. If you will consider hog supplies in relation to the corn crop—mind you, the hogs utilize corn much more efficiently than they did 10 years ago; with the use of supplemental things and clean sanitation, they make a bushel of corn go much further in producing pork. If we have normal corn crops for the next three years, you will either have such an overproduction of hogs that there will be no market for them or you will have such a surplus of corn backing up on the farms that there will be no market for corn.

I estimate that it will be apparent within the next two or three years that we have 20,000,000, at least 20,000,000 surplus acres of corn, either in the form of corn or in the form of livestock made out of that corn, one or the other. You can have the sore spot in one place or the other place, but there is a sore spot in the corn belt to that extent. I do not want anyone concerned with agriculture, with the agricultural policy of the United States, to be prepared to dodge that fact. I have urged it on the packers face to face with the greatest possible emphasis, and hope to have our statistical men go into it in great detail with them, because I think they themselves in the interest of their own prosperity are vitally concerned with it. All of us living in the great Mississippi Valley are tremendously concerned in seeing that that thing is worked out.

Senator **NORRIS.** What is the information that comes to you in regard to the desires and wishes of the hog men and cattle men and sheep men, to be in or out?

Secretary **WALLACE.** A sheep man came into my office this morning and said he normally fed 30,000 sheep in Colorado, and he pleaded that sheep not come in. He asked what my policy would be in case the sheep men and the packers agreed not to come in. Of course, we would not want sheep in if such were the case.

Senator **WHEELER.** A stock association wired me that they wanted to be left out, representing most of the cattle and sheep men there.

Secretary **WALLACE.** I would like to put this out for the cattlemen. You know, the cattle cycle is 7 years up and 7 years down. We reached the greatest scarcity of cattle about four years ago. Cattle have been more profitable than most any other farm product, or less unprofitable—put it any way you wish—during the past 4 or 5 years. Beeves most of the time have been quite profitable, and at the present time the tariff is more or less effective on cattle; but when you reach that situation that comes about every 15 or 16 years, when that thing reaches its fruition and you have the overproduction on cattle that would be normally expected in about 1936, I am not so sure that the cattlemen might not change their tune with respect to the export situation of beef cattle. I am just throwing that out for the benefit of the beef-cattle men. I think they have every reason to be relatively sad.

Senator **KENDRICK.** Mr. Secretary, I may say that in our section of the country we produce but few hogs, and I have a very definite conviction that if the hog producers want to be included in the bill—and there is information on that point—they should be allowed to be included, allowed to have their commodity handled under the terms of the bill. But I insist that in case those who produce cattle and sheep, do not want to be included, they should be given the right to remain out, and, so far as I know, the sentiment at this time is almost, if not quite, unanimous against the inclusion of these two commodities in the bill.

Secretary **WALLACE.** Sheep and cattle; yes.

Senator **BANKHEAD.** Mr. Secretary, is there any way you can help the corn growers without including hogs in this bill?

Secretary **WALLACE.** I think it would be possible. Of course, you can see, Senator Bankhead, that if, we will say, cotton and wheat are helped the corn-hog people will feel that a great damage has been done to them; they will feel that inevitably, especially if the help that is given to cotton and wheat would actually work out in its economic ramifications to increase the difficulties of their situation. I think it is conceivable, for instance, that if you could work out in a technically and economically sound way this alcohol proposition, if you could work that out, for instance——

Senator **Kendrick** (interposing). But that is not in your bill.

Secretary **Wallace**. That is not in the bill.

Senator **Bankhead**. Let me ask you this: Is there any way to raise money from processors, either to pay the allotment certificates, if the allotment plan is applied, or to pay for the rental of the land if the lease plan is applied, without including livestock in the bill, to collect the money from the processors? In other words, you do not sell enough corn commercially to raise money enough to apply either the allotment plan or the lease plan to corn growers.

Secretary **Wallace**. Almost 50 percent of the Corn Belt corn is fed to hogs. They ordinarily say that 80 or 85 percent, or a little more, is fed to livestock. I suppose 400,000,000 bushels goes into the channels of trade.

Senator **Bankhead**. So practically your own source of revenue is through livestock?

Secretary **Wallace**. Corn and hogs must be paired together in the corn belt. They must be approached together. The prices act and react. First one is higher than the other, but over any period of time corn is hogs and hogs is corn.

Senator **Bankhead**. I do not know whether you got the question correct as I am asking it. Can you raise the money necessary under this bill to aid the corn grower without having a processing tax upon hogs?

Secretary **Wallace**. It seems to be the only place where you could collect enough money—if each commodity is to stand on its own feet, the only place where you can collect enough money to induce the corn grower to hold corn land out of use is by means of a tax on the hogs. It is about the only way I can see.

Senator **Bankhead**. There is not enough corn moving in commercial channels to get enough money to be helpful to the great mass of corn growers.

Senator **McNary**. Mr. Secretary, you alluded briefly to the alcohol remedy. You mean the Belcher plan whereby you extract a certain quantity of alcohol from corn and substitute it for gasoline?

Secretary **Wallace**. Yes.

Senator **McNary**. Do you think we have authority in this bill to employ that plan?

Secretary **Wallace**. No, I do not think so.

Senator **McNary**. I was just curious.

Senator **Thomas**. Mr. Secretary, may I call your attention to an approach to this problem from a different angle? I have here a copy of Collier's of the date of April 1, 1933. On page 8 I find an article entitled "Why the Farmer Doesn't Like Our Dollar." It appears to be the report of an interview given by yourself to Mr. William G. Shephard. I have read this article and I will say that I thoroughly agree with the conclusions reached.

Now, with that statement, the bill before us provides in section 11, title 2, that it shall apply to wheat, cotton, corn, and so forth, and milk products. Is it your understanding that this bill has for its purpose the raising of the price of such commodities to the farmers or producers of such farm products? Is not that the purpose of this legislation, to raise the price of each of these commodities to the people who produce them?

Secretary **Wallace**. To the pre-war parity.

Senator **Thomas**. We will not go into the extent, but to raise the price?

Secretary **Wallace**. Right.

Senator **Thomas**. Is it or not your opinion that this could be reached immediately, directly, and easily through the placing of more money in circulation?

Secretary **Wallace**. You understand, of course, that I am not the Secretary of the Treasury.

Senator **Thomas**. I understand that.

Secretary **Wallace**. You understand that first. In the second place, you understand that that particular interview was given before I became a part of this particular team down here. Now, may I make a general observation on the possible effect of an increase in currency or credit on the agricultural situation? I think we will all agree that if an increase in currency or credit brought about a rise in the general price level, the farmer would be beneficially affected because of the lightening of all fixed charges, the debt load, interest, the tax load, railroad rates, utility rates, and the buying of the products of that part of city labor which has not come down. To that extent the farmer undoubtedly would be beneficially affected by a higher general price level, but I will also call your attention to this fact: That if we did have such a higher price level, and if we did continue producing an extra 180,000,000 bushels of wheat for which there is no effective purchasing power inside of this country and apparently no purchasing power abroad, the currency thing in and of itself would not take care of that. There are such things as monetary control and production control. They are both important. This bill, of course, addresses itself merely to the production control end.

Senator **Thomas**. Following up your statement, Mr. Secretary, I have before me the United States Department of Labor, Bureau of Labor Statistics. This particular data was released for publication on March 18. I find here that in May of 1920 this commodity index showed the purchasing power of the dollar, as measured by all commodities, to be 167.2. That was at the time when the dollar was the cheapest and commodity prices, wholesale prices, were the highest. I find on the last page that in February the dollar, as made by this commodity index, was down to 59.8. I find on the sheet entirely up to date that on March 4 the commodity index was 59.6. That was the lowest, on March 4 of this year. That shows that in 1920 the dollar would only buy at the ratio of 167; it shows that this time the dollar buys at the ratio of 59.6. It means that the dollar today will buy practically three times as much wholesale commodities as it bought in 1920. That shows the dollar has a fluctuating and varying buying power.

Now, here is my question: How is it possible to legislate for anybody, farmers or anybody else, with a dollar that will change 300 percent in 10 years? My question is this: Do you or not conceive it to be fundamental that before we can make any substantial progress in any kind of legislation for manufacturers, laborers, or what not, we must fix the correct buying power of a dollar, and then try to maintain that buying power constantly throughout the year?

Secretary **Wallace**. I think that is one of the most fundamental problems of civilization, of this country and the entire world.

Senator **Thomas**. I agree with you 100 percent.

Senator **Wheeler**. Mr. Secretary, you said that increasing the amount of money in circulation would reduce the fixed charges, the interest and taxes and railroad rates and utility rates, but that on a crop of which you produced a surplus that had to be sold in the world market it would not affect the world price.

Secretary **Wallace**. That is not quite the right shading, perhaps. I said the problem of the surplus would still be with us. You would have that tangible, physical problem still with you and there would be the problem of the ratio, there is always the problem of the ratio. It would affect one part of the farmer's dollar; it might not necessarily affect the other part.

Senator **Wheeler**. I agree with you entirely. I mean, for instance, when they had the inflation in Germany and in France and in Austria, they were able to raise farm commodity prices within the country, but it did not affect world commodity prices, but I do not want to get into the subject of the remonetization of silver; the reason I am advocating the plan to remonetize silver is because of the fact that 60 percent of the people of the world are on more or less of a silver-standard basis, and if you can remonetize silver you would affect world commodity prices as distinguished from a paper inflation, which would only affect the commodity prices within your country and would not affect world commodity prices.

Secretary **Wallace**. One of the most important things is to raise world commodity prices.

Senator **Kendrick**. Mr. Secretary, there are two points that I want to suggest to you and ask your indulgence in connection with the livestock question.

First, because of your familiarity with the law, it is unnecessary to point out to you the fact that the marketing system on livestock is vastly different, necessarily, from that of nonperishable commodities. I have extreme apprehension as to what the effect will be on the movement even of hog products through the processes of this bill, because of the apparently necessary obstruction in the movement of the commodity from the producer to the consumer. I am apprehensive that in the show-down anything that will in any way interfere with that movement will be calculated to compel congestion in the stockyard, where it is impossible to sell and imposible to hold. As you know all about that, it will not be necessary to enlarge upon the picture, but there is reason for apprehension lest anything interfere there that will send the livestock home without a market. Since I have been in Washington, I have endeavored in every way I could to remove from the handling of livestock commodities any obstruction, and as I have noted the situation, anything that interfered with the movement has invariably resulted in decreasing the price paid the producer and increasing the price paid by the consumer. As I see it, the more deadly thing would be the denial to some of the producers of any market at all. I ask you to consider that, because you know all the facts; you are familiar with the movement from the producer to the consumer.

Another thing about this bill is that everybody agrees it is an experimental piece of legislation. To limit the number of commodities in the bill would almost unfailingly increase its chances of success. As you said a moment ago, if the plan is successful, every farm commodity that can be accepted will want to be included. Therefore, it seems to me that if livestock and livestock products were eliminated it would almost certainly conduce to the successful operation of the bill.

Senator **Bankhead.** Mr. Secretary, I want to ask you this: Is it your opinion—I presume that it is, but I will ask you—that the reduction of an excess, a surplus of any farm commodity, is necessary in order to bring about an effective price increase in that particular commodity?

Secretary **Wallace.** You are asking if the law of supply and demand ordinarily works?

Senator **Bankhead.** You can construe it to suit yourself.

Secretary **Wallace.** I think the law of supply and demand ordinarily works sooner or later.

Senator **Bankhead.** Under regular, normal conditions?

Secretary **Wallace.** Other things being equal, the result is always that.

Senator **Bankhead.** An excess surplus tends to keep down an increase in price of that commodity where there is an excess?

Secretary **Wallace.** Yes. The Department of Agriculture and many of us have made extended studies over long periods of years where we tried to hold other things equal. The thing undoubtedly works, and the market men know it works; everyone in the trade knows its works. It is a truism, Senator.

The **Chairman.** Therefore, Mr. Secretary, it is a reduction of the amount of the commodity either through the elimination of acreage or through the reduction of production on any given number of acres. You consider that vital?

Secretary **Wallace.** It is vital under the situation in which we find ourselves today.

Senator **McNary.** Mr. Secretary, please refer to page 15, line 22:

> If the Secretary of Agriculture finds, after investigation and due notice and opportunity for hearing to interested parties, that such disadvantages in competition exist, or will exist, he shall proclaim such finding. The Secretary shall specify in this proclamation the competing agricultural commodity and the compensating rate of tax on the processing thereof necessary to prevent such disadvantages in competition. Thereafter there shall be levied, assessed, and collected upon the first domestic processing of such competing agricultural commodity a tax, to be paid by the processor, at the rate specified, until such rate is altered pursuant to a further finding under this section, or the tax or rate thereof on the basic agricultural commodity is altered or terminated.

I think that section must be construed as including an almost unlimited number of agricultural products not heretofore defined as basic commodities as included in the bill?

Secretary **Wallace.** Undoubtedly it is referring to those not included which are found to compete seriously with the specified basic commodities.

Senator **McNary.** For instance, poultry may be a substitute for pork or mutton. If, by reason of the processing tax, the consumption of pork or mutton has been interfered with or diminished and poultry is in the ascendency, then you can go out and place a tax on every poultryman in the country?

Secretary **Wallace**. That would be possible.

Senator **McNary**. For instance, suppose that the price of milk has become unreasonably elevated and people were taking to vegetables, under this section you could go out and place a tax without notice, without warning, on every producer of vegetables or fruits in the country?

Secretary **Wallace**. Yes; you could do that.

Senator **McNary**. You think that is a fair proposition?

Secretary **Wallace**. In the case of vegetables that would have to be a processing tax. The process consists of drying or canning. You could do extraordinary things if you wanted to.

Senator **McNary**. I am asking you if you think that is fair to a producer, not mentioned in this bill, that you might have the power to go out overnight and place a tax on his commodity?

Secretary **Wallace**. I don't think it would be fair to do it.

Senator **McNary**. Then you think that ought to be stricken out, don't you?

Secretary **Wallace**. You might limit the breadth of that thing. You might limit the breadth. My attention has been called to this fact, that it is after investigation and due notice. They would have opportunity to protect their constitutional rights, which they would undoubtedly avail themselves of.

Senator **Robinson** of Arkansas. Mr. Chairman, I am not a member of the committee, but I am interested in hearing this matter. May I ask one question in relation to a different subject matter?

The **Chairman**. Yes, Senator Robinson.

Senator **Robinson** of Arkansas. Cooperative associations have contracts and frequently make them for the future delivery of the commodities in which they are concerned. For instance, the American Cotton Cooperative Association has made contracts for the delivery of cotton in 30, 60, or 90 days. The same is true of the rice cooperative associations, both of these commodities being in the bill. Would the processor's tax apply to such commodities under the contract, and if so, what adjustment or arrangement would or could be made with respect to the tax? Do I make the question clear? I am not asking it solely of the Secretary.

Secretary **Wallace**. I think I will call on Mr. Lee, who has thought more about that particular phase of the matter than I.

Mr. **Lee**. As I understand you, Senator, you have in mind the situation where a contract is made before the processing tax goes into effect for delivery after the tax goes into effect, is it fair then to impose the burden of the tax on floor stocks, that is, stocks on hand at the time the tax goes into effect? Obviously not. It would apply to a miller or packer just the same. The bill specifically cares for it in section 18 which is on page 19, which is the usual section that the Congress has included in all revenue measures that have provided for manufacturers' excise taxes and it is to care for the specific situation I think you have in mind, sir.

The **Chairman**. That is the section known as the floor tax?

Mr. **Lee**. No; it is not the floor tax section, it is called "existing contracts." It is to permit the tax to be paid upon floor stocks that are on hand at the time the processing tax goes into effect, to permit that tax to be paid by the vendee instead of the vendor if the tax was not taken into account by the vendor and vendee.

Senator **Robinson**. That would take care of all cases where a bona fide sale for future delivery has been made and where the product is actually in stock?

Mr. **Lee**. Yes, sir.

Senator **Robinson** of Arkansas. That is the information I desired.

The **Chairman**. Are there any further questions the committee desires to ask the Secretary?

Senator **McNary**. The correspondent of a very prominent newspaper has just handed me a wire asking a question. Assuming that this bill will elevate the price level of agricultural commodities, what proportion of the increased income of the farm population would be paid on interest and farm mortgages and what part would be spent for commodities? Have you give that any thought at all?

Secretary **Wallace**. No; I haven't given it any statistical investigation. I suppose you could get at it roughly on the spur of the moment but it would take two or three minutes to figure it out.

Senator **McNary**. If you can, I wish you would.

Secretary **Wallace**. I will get that over to you if you will give me a copy of the telegram.

Senator **Frazier**. I would like to ask the Secretary if he thinks the provisions of this bill would give the farmer the cost of production for these principal farm products?

Secretary **Wallace**. You mean if the exchange situation as existing from 1909 to 1914 is the cost of production?

Senator **Frazier**. Yes.

Secretary **Wallace**. As a matter of fact, that is my definition of the fundamental cost of production, the price which brings about a balance between the various productive forces in the country. We did happen to have somewhat normal conditions from 1909 to 1914. Labor was going along, farmers were going along, the business men were going along. My definition of cost of production is that price which brings about a balanced, smoothly functioning situation. That is my definition. It is a philosophical concept, and I therefore base it on a historical period in which there was a certain degree of happiness for all concerned. It meets my definition. Now, as to whether it doesn't happen to be the same price, I don't think it is the same price the Department of Agriculture accountants would find. I don't necessarily think it would be the same price John Simpson would find by his method. His method is the ultimate ideal. This thing is the more practical measurement. In some cases one might be higher and in some cases the other. They are slightly different concepts.

Senator **Frazier**. Of course conditions have changed radically since that period of 1909 to 1914.

Secretary **Wallace**. It might be that the cost of production would be somewhat lower than this, that is, the physical methods of production might make it that wheat would be somewhat lower, for example. Or you might invent a satisfactory machine for picking cotton and that would mean less hours of man labor and even with the cost of machinery going in, that would be changed. You have to take that into account.

Senator **Frazier**. Of course our taxes have trebled or quadrupled during that time.

Secretary **Wallace**. That is true. That is a very good point.

Senator **McNary**. Mr. Secretary, have you made an estimate of the number of employees it will take to administer this bill?

Secretary **Wallace**. I haven't made it. Some of the folks in the Department are working on that now, and I don't think they yet know the answer.

Senator **McGill**. Do you suppose we could have that information at a later date?

Secretary **Wallace**. I don't know whether we can get it at an early date or not. Here is a thing that I would like to say——

Senator **Wheeler** (interposing). That would be more or less problematical?

Secretary **Wallace**. Yes, very problematical. Here is a thing I would like to say: Necessarily faced with a huge administrative responsibility, we have been trying to think about personnel. We would like to know as soon as possible about your decision on the compensation of the thing. There is one man that I think would be extraordinarily useful and command the respect of the processors and the producers who 2 years ago was getting, we will say, $25,000, and at the present time is getting $20,000. I don't think that he should command any more than $15,000. I know he could be extraordinarily useful to us. What I am getting around to is this, that if we could go out and get a few key men right away, even before it becomes a law, assuming it is going to become a law, it would be an enormous help to us in laying down some of these outlines. What are we up against now? As some of you gentlemen have pointed out rather critically, we have theoretical men, splendid, brilliant fellows, but not the practical men to get this machinery going, and we want to get in position to get the practical men on the job as soon as it is safe to get those men on the job. We are in a difficult situation right now on that account.

Senator **Wheeler**. That is the same thing, Mr. Wallace, that they said with reference to the Farm Board.

Secretary **Wallace**. We are not asking for $75,000 or $50,000 or $25,000, but I would like to have one man we could pay as much as $15,000.

Senator **Pope**. Where is that section in the bill, Mr. Wallace?

Secretary **Wallace**. I don't know just where the compensation section is.

Senator **McNary**. Page 10, line 4.

The **Chairman**. Mr. Secretary, we are very much obliged to you. I would like to have a short executive session of the committee. We propose to recess until Monday morning at 10:30.

(Whereupon, at 12:20 o'clock p. m., the committee went into executive session, at the conclusion of which a recess was taken until Monday morning, March 27, 1933, at 10 o'clock.)

[illegible] cannot see through a [illegible] so that we will be [illegible] I [illegible] to take that into account.

Senator [illegible]. [illegible] during that time?

Secretary WALLACE. [illegible]

Senator McNARY. Mr. Secretary, [illegible] the number of employees [illegible] to administer this bill?

Secretary WALLACE. [illegible] Department are [illegible] and I [illegible] know the number.

Senator McGILL. [illegible] at a later date [illegible]?

Secretary WALLACE. [illegible] early date or not [illegible] thing that I would like [illegible]

Senator WHEELER. [illegible] that would [illegible] produced?

Secretary WALLACE. [illegible] I would like [illegible] responsibility [illegible] would like to know [illegible] compensation of the [illegible] extraordinarily [illegible] and the producers who [illegible] and [illegible] he should [illegible] be extraordinarily [illegible] is this that [illegible] even before [illegible] it would be an [illegible] outlines. [illegible] have pointed out [illegible] brilliant fellows [illegible] going [illegible] the job as soon as it [illegible] situation right now [illegible]

Senator WHEELER. That is the [illegible] Mr. Wallace [illegible] with reference to [illegible]

Secretary WALLACE. [illegible] but I would like to [illegible] $15,000.

Senator [illegible]. Where [illegible] section in the bill, Mr. Wallace?

Secretary WALLACE. [illegible] section is.

Senator McNARY. Page 10, line 4.

The CHAIRMAN. Mr. Secretary, we are very much obliged to you. I would like to have a short executive session of the committee. We propose to recess until Monday morning at 10:30.

(Whereupon, at 12:20 o'clock p.m., the committee went into executive session, at the conclusion of which a recess was taken until Monday morning, March 27, 1933, at 10 o'clock.)

AGRICULTURAL EMERGENCY ACT TO INCREASE FARM PURCHASING POWER

MONDAY, MARCH 27, 1933

United States Senate,
Committee on Agriculture and Forestry,
Washington, D.C.

The committee met, pursuant to adjournment, at 10 o'clock a.m., in its committee room in the Senate Office Building, Senator Ellison D. Smith presiding.

Present: Senators Smith (chairman), Kendrick, Wheeler, Thomas of Oklahoma, McGill, Bulow, Caraway, Murphy, Pope, Norris, McNary, Capper, and Frazier.

The Chairman. Mr. Simpson was to go on and conclude his statement but on account of a gentleman being here who represents a part of the stock industry and who must leave on account of illness in his family, at the request of Senator Kendrick, if it is agreeable to the committee, we will hear him for 10 or 15 minutes.

Mr. Farr.

STATEMENT OF HARRY W. FARR, PRESIDENT OF THE COLORADO-NEBRASKA LAMB FEEDERS ASSOCIATION, GREELEY, COLO.

The Chairman. Mr. Farr, will you give your name and address and your occupation, please, sir?

Mr. Farr. Harry W. Farr, of Greeley, Colo., president of the Colorado-Nebraska Lamb Feeders Association.

The Chairman. Mr. Farr, you may now make your statement in reference to this bill.

Mr. Farr. I also have a couple of telegrams here which I would like to read. One is from the National Wool Growers Association, Salt Lake City:

> Unable to come to Washington account of illness in family. Will you please tell Secretary Wallace and Senate committee National Wool Growers Association considers provisions House bill would be injurious to lamb raisers. 1909 to 1914 period very unfortunate as lamb markets then out of line with other livestock and sheep men operating at loss.
>
> Marshall, *Secretary.*

I also have a wire from Mr. C. B. Wilson, of the Wyoming Wool Growers Association, Douglas, Wyo.:

> Believe sentiment among livestock growers of Wyoming practically unanimous in opposing inclusion of lambs and cattle in farm relief bill now being considered by Senate. We trust you will use your best efforts to have lambs excluded from bill.

The members of our association feed about 2,000,000 lambs in northern Colorado or in the irrigated sections of Colorado and western Nebraska. That is about one seventh of all the lambs consumed in the United States is fed in this irrigated territory. Personally, I feed about 35,000 lambs and 600 cattle each year. The lamb feeders would like to have lambs omitted from this bill, as they are a very perishable product. They are bought today and consumed within a week, they are not kept and they cannot keep them, they must be consumed right away. We have a good cash market for these lambs in every livestock market in the country and if this tax goes into effect, we are afraid that these lambs will back up and the public will not be able to purchase them. I believe that at the present time the packers are getting all the market will stand from the consumers for livestock.

Senator **Capper**. You would say the sheep-raising industry is on a profitable basis now?

Mr. **Farr**. Absolutely not.

Senator **Capper**. I understand you to say there is a good market?

Mr. **Farr**. We have a cash market every day but the prices are not remunerative. The sheep business is in bad shape both for the producer and the feeder.

Senator **Thomas**. Tell the committee how lambs are sold.

Mr. **Farr**. These lambs are consigned to a commission man on the open public market and the packer representative goes into the yards and buys them in open competition.

Senator **Thomas**. They are sold by the pound, are they not?

Mr. **Farr**. Yes, sir.

Senator **Thomas**. What does a marketable lamb weigh ordinarily?

Mr. **Farr**. The lambs out of our feed lots average about 90 to 93 pounds.

Senator **Thomas**. What does the farmer or producer get per pound for those lambs?

Mr. **Farr**. Last week I sold lambs in Chicago from $5.65 to $6 a hundred.

Senator **Thomas**. That was in Chicago?

Mr. **Farr**. Yes, sir.

Senator **Thomas**. If you bought those lambs in Colorado, what would you pay for them?

Mr. **Farr**. I bought all of them in Wyoming and Colorado last October and November and I paid from 3.75 to 4 cents a pound.

Senator **Thomas**. Is that the cost of production, in your opinion?

Mr. **Farr**. No; it is not.

Senator **Thomas**. What should the producer receive per pound for lambs to make the cost of production in your opinion?

Mr. **Farr**. That depends on the wool price a great deal with it. I do not produce these lambs, I buy them from the range man and feed to consume our alfalfa hay and corn and sugar beet byproducts.

Senator **Thomas** of Oklahoma. Estimating the land is worth so much and that the producer is entitled to a return upon that value, and estimating, second, the investment in the sheep themselves, and estimating, third, the cost of attention, what in your opinion should lambs bring to enable the producer to get the cost of production, that is, on the farm or on the range?

Mr. **Farr**. As I say, I am not a producer from that standpoint, I am a feeder, but I should say 7 cents a pound.

Senator **Thomas** of Oklahoma. Then the prices now paid to the producers is about one half in your opinion that they should receive to enable them to live and pay their debts and prosper?

Mr. **Farr**. Yes, sir.

The **Chairman**. May I ask the committee that the witness be allowed to make his statement and then after he has made it, he may answer such questions as the committee may see fit to ask?

Mr. **Farr**. We feel that if these prices are put back to parity prices at the present time that this meat is apt to back up and that we will find that the producer will be paying this tax instead of the consumer and we won't get any benefit from same. Owing to this keen competition in selling meats, especially fresh meat, which has to be sold practically immediately, it is pretty hard to pass a tax like this on to the consumer. At the present time there is no overproduction of livestock. Everything that is being produced is being consumed. Cold-storage holdings, I think, are the lightest on record at this time. Lamb production is decreasing; we have reached the top of our cycle and are going down. The lamb crop of 1932 was about 8 percent smaller than the year before. This is due to weather conditions in the West and on account of the aged ewes and economic conditions, the bankers having forced them to liquidate their ewe lambs.

The other day Mr. Peck said that they could regulate the receipts of livestock. I have been in the feeding business for 25 years and I find it is impossible to regulate receipts. The weather enters into it a great deal, storms and blockaded highways and railroads, and you will have days of bare markets and days of glut markets. With the present radio hook-up over the country, the market is quoted every day at noon. If it is a little higher today, a lot of men think their neighbor hasn't heard it and they will try to get to town tomorrow. With the excellent railroad service that they are giving now, it is pretty hard to regulate supplies. For instance, I am a thousand miles from Chicago. I used to load lambs on Tuesday for the following Monday. Today I can load them on Saturday and sell them in Chicago on Monday. They don't stop at the feed yards adjacent to the markets like they used to.

We think it would be better to try this out on wheat or cotton or something that is not perishable. Livestock is very, very perishable and after it has been down east in the cooler for a few days, it has got to sell or it will start to smell. The lamb crop, calf crop, and pig crop are already on the way. You couldn't curtail production of these products for at least a year and longer in the case of cattle and lambs. I believe the bill is uneconomic, unsound, and unfair, as nature has so much to do with animal and plant production that it is practically impossible to regulate it. The best law to regulate all of these crops in my opinion is supply and demand. The farmers in our country want and must have lower taxes. They are doing everything they can at home to cut those taxes. The school districts are being cut down just as low as they can and our counties are doing a good job and the State also is working on it. We trust that Washington will continue, as you started out this past two weeks, on an economic program or an economy program.

We get lots of Government reports from the Bureau of Agricultural Economics that in my opinion are helpful to the consumer more so than they are to the producer. I refer to estimates and predictions. Some of those reports have caused us a lot of trouble in the past. I think we should get the Government out of business instead of going into business, and this is certainly going into business to try and regulate the number of lambs and hogs and cattle and the number of acres of wheat. It would take a vast army of employees and will increase expenses, and I can't see where it will help the producer, as the producer pays practically all taxes anyway. I think that is all, Mr. Chairman.

Senator KENDRICK. Mr. Farr, may I ask what is your information as to whether the sheep and lambs west of the Missouri are increasing or decreasing in number?

Mr. FARR. Practically all of the decrease has come west of the Missouri River in the West, the biggest decrease in sheep that has come in the past has come in the last few years, owing to economic conditions. The range man couldn't hold his ewe lambs, he had to sell them to pay the bank. Sheep have been very cheap and old ewes would hardly pay the freight. Therefore, they have been breeding these old ewes and they are getting older every year. With a hard winter they are going to be very few sheep in the West.

Senator KENDRICK. In your opinion can increased prices be relied upon to take care of any increase or decrease in production?

Mr. FARR. As I said awhile ago, the sheep cycle reached its peak about a year ago. Texas switched large from cattle to sheep, and I don't believe that a big advance would materially increase production of sheep for some little time.

Senator KENDRICK. I have observed the actions and methods of my neighbors in the sheep business and it is my opinion that they are now curtailing their production as fast as they can.

Mr. FARR. Yes, they are.

Senator KENDRICK. A few years ago, as I have stated to the committee, every flock master in the West was saving his ewe lambs to breed. They are not doing that now, are they?

Mr. FARR. No; they haven't been for the last three years.

The CHAIRMAN. Mr. Farr, may I ask you this question: Under normal conditions, were you satisfied with the marketing processes established?

Mr. FARR. Under normal conditions, yes; we think we have a good market for livestock. Of course the price is not satisfactory today, and hasn't been.

The CHAIRMAN. I am talking about normal conditions, when there was purchasing power enough amongst the people at large to consume their needs, your marketing conditions were satisfactory?

Mr. FARR. Absolutely.

Senator NORRIS. Have your people, feeders like yourself, enjoyed any privileges of borrowing money through the intermediate credit bank or other Government agencies?

Mr. FARR. I don't know of a feeder in Colorado or Nebraska that has borrowed money through any Government institution.

Senator NORRIS. You wouldn't favor that, would you?

Mr. FARR. Well, I have never tried to myself, I have been financed through local and Denver banks.

Senator NORRIS. Do you know whether those banks got any assistance from the Finance Corporation in the way of loans?

Mr. FARR. Not for the feeders, I think everything has been handled locally and rediscounted through the Federal reserve bank. The

Reconstruction Finance Corporation has loaned a lot of money to the range men in the West.

Senator **Norris**. Has that been a good thing or bad thing?

Mr. **Farr**. I think a good thing.

Senator **Norris**. That was a time the Government went into business that you didn't object to, was it?

Mr. **Farr**. Well, personally, I didn't borrow from them, personally, I think the Government——

Senator **Norris** (interposing). Well, do you think they ought to loan to these other fellows?

Mr. **Farr**. Well, it has done a lot of good in the West.

Senator **Norris**. That was an instance where the Government went into business and it did some good?

Mr. **Farr**. Yes, sir.

Senator **Norris**. You wouldn't oppose the Government going into business wherever they could do some good?

Mr. **Farr**. Well, these are unusual times at the present time, yon understand.

The **Chairman**. The tariff is a sort of instance of the Governmeut in business, isn't it?

Senator **Norris**. One of the reasons you are opposed to this bill was because it put the Government in business, you stated?

Mr. **Farr**. Well, this bill—it is pretty hard to visualize what they will do with it. If they dictate to you how many sows you can breed or how many lambs you can raise, it will take a vast army of employees——

Senator **Norris** (interposing). You wouldn't object if they would loan you some money? The Government has been loaning money to the banks and railroads. Was that a good thing or a bad thing?

Mr. **Farr**. Time will tell, Senator. It has been a good thing up to date, in my opinion.

Senator **Norris**. From what you said, you were opposed to the Government going into business. I wanted to see what kind of business you objected to and what kind of Government business you favored.

Senator **Frazier**. Mr. Farr, you seem to indicate by your statement that under this bill the so-called parity price would be lower than it is at the present time?

Mr. **Farr**. Oh, no; it would be higher, about $2 and something.

Senator **Frazier**. Well, wouldn't that be an advantage?

Mr. **Farr**. Absolutely.

Senator **Frazier**. Why are you opposing the bill then?

Mr. **Farr**. Because I am afraid that the consuming power of the public can't stand that traffic now. If you put the tax on, they will have to buy lambs for less than they are paying us now or if the market consumes so many lambs at $2 a hundred now, we might have some left over we couldn't sell.

Senator **Thomas** of Oklahoma. If lambs get down to half the price they are now, the public would eat more of them; is that correct?

Mr. **Farr**. They would eat more if they were available, but they won't be available. All meat produced is being consumed even at these low prices. If you raise the price from $2 to $4 a hundred, I don't believe they could consume it at this advance in price.

Senator **Thomas** of Oklahoma. If the administration would devise some plan to increase the buying power of the masses, in other words, put these unemployed people to work and enable the merchants and factories and other institutions to open and commence doing business, that would help some, wouldn't it?

Mr. **Farr.** Certainly.

Senator **Kendrick.** Mr. Farr, as a feeder and an extensive shipper to the market, I understood you to say that the most favorable feature of our present market is cash at some price?

Mr. **Farr.** Yes, sir.

Senator **Kendrick.** And you are apprehensive that this product, that must be moved and moved without delay, may be affected by congestion in the market, is that your idea?

Mr. **Farr.** Yes, sir.

Senator **Kendrick.** Well, have you thought about the suggestion that since the Government assumes to place a certain addition or tax on the amount the packer pays it might intervene to the extent of fixing the price that he shall pay? Do you believe it would be necessary for the Government to do that, if they proceed on this basis?

Mr. **Farr.** I don't believe the Government can fix the price that the consumer will pay. If it gets too high and they can't afford it, they will quit eating lamb and eat something else.

Senator **Kendrick.** The Senator from Oklahoma spoke of the wisdom of decreasing the price or the possibility of decreasing the price. It is my opinion, and I have heard it stated in discussions outside, that the packers would be compelled to pay a correspondingly lower price for the commodity in order to meet this additional increase imposed by the Government. It occurs to me that there is a very strong probability that to offset that danger the Government will have to say to the packer what he shall pay. Do you think there is a possibility of that?

Mr. **Farr.** Well, there might be.

Senator **Kendrick.** For instance, if the packer pays you 4 cents or 5 cents for your lambs and an additional 2 or 3 cents is added to that and such additional amount is prohibitive when it comes to selling the product, isn't it possible that he will have to reduce the price accordingly so as to move the product to the consumer?

Mr. **Farr.** That is what I say. If he has to pay this tax, he will probably take it off of us and we won't get as much as we are now.

Senator **Norris.** Where do you ship mostly from, Greeley?

Mr. **Farr.** Denver and Chicago.

Senator **Norris.** What is the rate to Chicago?

Mr. **Farr.** Sixty-two cents a hundred.

Senator **Norris.** How does that compare with the value of the lambs that you ship?

Mr. **Farr.** It is a little over 10 percent of the value of the lambs. If you were to put this tax on lambs or cattle, if you put a tax on hogs, that would benefit the corn land, but I don't know what land you would benefit with a tax on cattle or sheep.

The **Chairman.** If there are no further questions by the committee, Senator Kendrick has another witness here that we will have for 10 minutes. Much obliged to you, Mr. Farr.

Mrs. Donnelly, of Kansas City:

STATEMENT OF MRS. NELL Q. DONNELLY, GARMENT MANUFACTURER, KANSAS CITY, MO.

The **CHAIRMAN**. Mrs. Donnelly, will you give your name and address and occupation?

Mrs. **DONNELLY**. Mrs. Nell Donnelly, 5235 Oak Street, Kansas City, Mo. I am a garment manufacturer in Kansas City.

Senator **KENDRICK**. Mrs. Donnelly wants to make a statement as to how the bill will effect the consumer.

Mrs. Donnelly, how many people do you employ?

Mrs. **DONNELLY**. About 1,000 people—perhaps from 950 to 1,050. I feel that I have read this bill very carefully, I feel that it is a sales tax on food and clothing and I think it will be a great hardship to the wage earners of the country and I can't see where it will benefit the farmers for the reason that in my experience, from my knowledge in a general way, the wage earners are spending practically everything they can make for food and clothing at the present time. In the case of my own people, I have been very fortunate in being able to keep them working practically the entire time.

As a matter of fact, I think in the last two years, I am sure they haven't lost more than perhaps a week or two in the entire year. Though I have felt that my own people were very fortunate in our being able to keep going, still I find that a condition exists of people who are working but are helping to support others of their families who are not working. So instead of my own people going along with the same standards that they have had before, they have a sister who is home with 3 or 4 children and whose husband isn't working or they have taken in their fathers or mothers or brothers who are out of work, and so I find that where these people were living fairly comfortably before, there are now 2 or 3 or 4 families living together and that what they make is really going for actually just food and clothing.

This came particularly to my notice. Although I was in a business that is very seasonal, it has been my policy and I established the practice during my years of business of not taking any more business in one season than I could get in another season, so that in the spring, which is our big season, I simply didn't fill my orders but kept a certain size factory going the year round. A couple of years ago a woman who was in charge of my factory came to me and said, this being in the spring: "We have all these orders and we can't take care of them in our regular factory, but there are so many people out of work that I think we should take another floor in another building and even though we can only work a couple of months or three months, it will give them that much work. The machinery costs very little, we have the orders, why not do that?"

Of course, there was no reason why we shouldn't do it, it was very little inconvenience to ourselves. That kind of business is not profitable but when there were so many people out of work, we thought it would be a good thing to do. So we opened this extra factory and of course, that just became another responsibility. When it came time to close it down, we didn't really want to do it, so we have come along. Last fall when it looked like business wasn't going to come in for a time, of course, we said "We will close up that factory" because it was nothing but an extra factory anyhow. Then the woman in charge came to me and said "Mrs. Donnelly, if you can only give 2 or 3 days' work a week, that will buy food for these families and many of them have someone that can furnish the home." She said that if we could keep going those few days, whatever we could, it would buy food. Well, we kept it going and we went out and worked a little harder and pretty soon we were able to keep it going right along. We went through the winter with that factory going practically entirely. Then a few weeks ago when this banking situation came up, of course, I began again and again to question whether I should continue it because we always felt that this was a little extra factory. Not knowing what would happen, I really felt I must think of my own finances and how I would keep my business going. Then it was a question of whether we would close that factory or not.

Well, I had four women come to me and say, "Mrs. Donnelly, if we can keep that factory going one day a week, it will cost us something to do that but that will help to buy food for those people." That, together with other knowledge that has come to me, impressed me greatly with the fact while I think my people are in a better position than most, the workers generally are spending practically all of their money for food and clothing right now, so all that this bill would do and all that an extra tax would do would simply be to give those people half as much food. They are spending all the money they have, so they would only get half as much food and clothing for what they are spending. So when the farmers are getting practically all of the money they have now, I can't see how putting this tax on will do anything but give the workers less food and no more money to the farmer.

Senator **Thomas** of Oklahoma. You are afraid, then, that this bill will raise the price that your people must pay so that they can't buy as much as they are now buying?

Mrs. **Donnelly**. Yes; along the lines of the gentleman who just now testified. I think if food becomes higher, they just can't buy it. I know people who should have fresh, green vegetables for their children in the wintertime. Well, just a lot of people simply can't buy fresh, green vegetables for their children because they are too high. If they were less expensive, they would consume more.

Senator **Thomas** of Oklahoma. What sort of garments do you manufacture?

Mrs. **Donnelly**. I manufacture women's dresses.

Senator **Thomas** of Oklahoma. Exclusively?

Mrs. **Donnelly**. Yes, sir.

Senator **Thomas** of Oklahoma. Don't you think if the farmers received more for their produce that they could buy more dresses and even pay a little better price for them?

Mrs. **Donnelly**. I am sure they could, but I don't see how you are going to get it from my workers when my workers now are spending all they have—when I say my workers, the others are the same way—when the workers are spending all they have for food and clothing and at the present time I am paying them all I possibly can. If you will check my place, you will see that I haven't had to reduce my wages to amount to anything.

Senator **Thomas** of Oklahoma. You are getting the same prices you received in former prosperous years?

Mrs. **Donnelly**. No, no, no; of course, and I am not making anything like as much money.

Senator **Thomas** of Oklahoma. If prosperity should return, you would get a better price for your product and you could pay the workers more?

Mrs. **Donnelly**. I have no objection to prosperity returning. I want it to return. [Laughter.] But I can't see how having the workers pay more for their food will do anything for the farmer. I think after all the wage-earning people of the country are the ones that consume the great amount of food. In my own household, and perhaps the households of everybody here, food is just 1 item, it is just 1 item of your expense. Where families kept 3 houses going and had gas and heat and electric light for 3 houses, they have now doubled up in 1 house. They don't spend that money for those other things, but practically everything goes for food and clothing. They are not buying automobiles or radios or pianos or the luxuries that in former years and better times the workers were able to buy.

Senator **Frazier**. I want to ask you if you think it is fair to have the farmers produce food products and sell them below the cost of production?

Mrs. **Donnelly**. I don't think it is a matter of our thinking it is fair—I have to sell at times, if I produce something that the public doesn't want, I have to sell it for what price I can get for it.

Senator **Frazier**. But you continue to do business and you couldn't continue to do business unless you got the cost of production for your product?

Mrs. **Donnelly**. The textile business in New England for years has been doing business at a loss. They will have to overcome that. I have no objection to trying to do something for the farmer but I think this bill isn't going to do anything. I think if you open up your markets in Europe, take off some of these tariffs that we have, and give our farmers a chance to sell their goods some place else, that that is a better way to do it. In the meantime, I can't see how you are going to get any more purchasing power for the farmers because the wage earners have no more money to spend. They will eat less food. If you have so much money to spend and you have 3 children and you need 4 quarts of milk a day and that costs you probably a minimum of 50 cents, if you have only 50 cents to spend for milk then you will only have 2 quarts of milk if you double its cost.

Senator **Frazier**. Are you willing to reduce the tariff on manufactured dresses?

Mrs. **Donnelly**. Yes, indeed; I am. I am willing to produce dresses in competition with anybody. There is no greater competition anywhere in the world than we have right here in America.

Senator **Murphy**. Mrs. Donnelly, are you operating your business at a profit?

Mrs. **Donnelly**. Yes, I am; not a large profit, a small profit.

Senator **Murphy**. Is it your impression that the agricultural business is being operated at a profit today?

Mrs. **Donnelly**. No; I think it isn't from all we have heard about it.

Senator Murphy. Is it your impression that any more than a very small percent of businesses are being operated at a profit?

Mrs. Donnelly. I am sure they are not because I read the statements of a great many retailers. That is another thing, I think the Government can't take the responsibility of an industry making money. Three or four years ago I had a young man that did city selling; I had enough retailers, small retailers around in Kansas City that it took one man to call on. The first of the year we checked it over and found that there were only four small accounts in the city that we were willing to sell. They had either gone out of business or their credit was so poor you couldn't risk selling them.

Senator Murphy. You are operating today at a reduced profit?

Mrs. Donnelly. Very much reduced profit.

Senator Murphy. Are you getting a return on your investment in your business?

Mrs. Donnelly. Not what I could get if I had the investment out or had it in Government bonds, something that was bringing in.

Senator Murphy. Then you don't make 1¼ or 1⅜ or 4¾ percent?

Mrs. Donnelly. I haven't figured it exactly but I know the investment in my business is not paying 4¾ percent.

Senator Murphy. Is any part of your output sold to farmers?

Mrs. Donnelly. Yes; it is sold all over the country to the large and small towns.

Senator Murphy. Is the volume of your sales reduced?

Mrs. Donnelly. No; my sales were increased last year.

Senator Murphy. Increased in dollars?

Mrs. Donnelly. Yes. I think it is because I am making what the public wants—well, I will not advertise my business here.

Senator Murphy. Merely as a statement of fact, and your answer won't reflect any vanity, I know, but your business is very exceptional, isn't it?

Mrs. Donnelly. Yes, it is. Of course, everybody knows that our industry is a very highly competitive one, and it is even not considered a bankable business. The greatest competition we have always has been the small local manufacturer in the different cities. Of course, those small local manufacturers are out of business. I didn't put them out.

Senator Murphy. If we gave the farmer a little more for what he sold———

Mrs. Donnelly (interposing). Who is going to give that? My workers are going to give that to them and all the wage earners of the country.

Senator Murphy. Let's take that for granted momentarily. If we gave the farmer something more for what he sold, do you think we would thereby increase his purchasing power?

Mrs. Donnelly. Of course if you gave the farmer more for what he sold. What I am thinking of is who is going to give him that? That is the objection I have. Who is going to give that money to the farmer? I say the wage earner can't do it. He is already giving him everything he has.

Senator Murphy. If we gave the farmer a little more, we could increase his purchasing power?

Mrs. Donnelly. Of course, no question about it. If you gave me more, I would have a bigger purchasing power, too.

Senator MURPHY. Precisely. If we give him a bigger purchasing power, it is possible there will be an increased demand for the thing you produce in your factory. Do you think that is probable?

Mrs. DONNELLY. Probably; yes.

Senator MURPHY. If that were true, you would be able to employ more people or increase the wages of those you have now employed; is that possible?

Mrs. DONNELLY. It is possible.

Senator MURPHY. Of course that is the theory on which this whole thing rests. You think that is possible?

Mrs. DONNELLY. It would be possible, of course. If there were more people wanting to buy my merchandise, if I wanted to increase my business, I could increase it.

Senator MURPHY. Suppose we could start that process. Things are about as bad as they could be, aren't they?

Mrs. DONNELLY. I think in a great many industries they are, but there are so many other people. I have personal friends who have been in the real estate business in Kansas City and in other businesses where the wives, the women past middle age, whose families have been very well to do, and who are entirely untrained, come pleading with me to give them work, and they say in their cases, "I own my home but what I need is food." That is actually the condition that comes to my attention constantly.

Senator MURPHY. Those conditions are painfully evident everywhere.

Mrs. DONNELLY. Women that have never worked outside of their homes before, they are willing to work on my machines. These are personal friends. Their husbands are in the real estate business and all different kinds of businesses, and they are in a very bad way, too.

Senator MURPHY. That is true, but we want to get at the base somewhere to start this thing. Your business, manufacturing garments, is not a basic industry?

Mrs. DONNELLY. No; but when you give those people less food for the money, I say you are putting a hardship on them and they are spending all the money they have for food anyhow.

Senator MURPHY. How long would that condition be likely to continue if you increase the farmers' purchasing power?

Mrs. DONNELLY. I don't think you should increase the farmers' purchasing power out of the wage-earners' pockets. I don't think they have to do so. I think you should open up your foreign markets.

Senator MURPHY. I am in agreement with you about the foreign markets but I think something more than that is necessary. The point I am trying to emphasize or develop—I am troubled with exactly the same thought that is in your mind—I think there is a temporary bridging that has to come in there. We will increase the price that the farmer receives, say, and we will say that that will diminish the purchasing power of your employee, having to pay a cent or 2 cents a pound more for pork chops and perhaps some people can't buy so many pork chops, but this increased amount the farmer receives will find its way into the channels of trade. Don't you think it will?

Mrs. DONNELLY. There is another point on that, though, there is a certain fixed expense; I have a certain plant and machinery and investment, and when I turn out a certain amount of garments in a month, I could turn out another quantity and cost me no more than that does. That is what I think about the farmer, with the set-up that he has, if the consumers consume less food, then he gets no more money, and I don't think he is very much better off. That is true in the steel business. The steel companies for some unknown reason have been able to maintain their prices. I read some time ago where they hadn't reduced their prices since 1922. I believe they made a concession some place and got a nice big order. When their production is down to 12, 14, or 15 percent, they lose much more money than if their production was probably at a much higher percentage and they were getting less for their steel. I don't know why that wouldn't maintain for the farmer. If the increased price of food diminishes the volume that is sold, it probably won't do him any good.

Senator MURPHY. If that is going to be a persistent condition, I agree with you. Don't you think it is at all possible that when you have given that farmer something more for what he produces and he uses that something more that he receives and goes into the market and spends that, which he hasn't now to spend, that the spending of that money by him will reflect itself in an increased demand for the things that are produced in factories?

Mrs. DONNELLY. But my very point is that the farmer is getting all the money that we have to give the farmer right now.

Senator MURPHY. Pardon me, he is getting only a very small fraction of it.

Mrs. DONNELLY. You are speaking about the bushel or pound? I contend, my very point is that the wage earners generally, and they are the consumers of food, they are the ones that have the big families, are the great number of people consuming the food. They are paying out all the money they have now. What difference does it make if a farmer has a 500-acre or 320-acre farm and is getting in only say $5,000 a year. Well, next year he only gets in $5,000 but they only use two thirds as much of his wheat or two thirds as much of his corn? If it were my factory, it wouldn't make any difference. I need a certain amount of money coming in unless I have an entirely different set-up. I say if the farmer doesn't actually get more money, it won't do him any good, because he has the investment of his farm; he has his implements; the matter of a few more bushels of wheat seed doesn't cost anything.

Senator MURPHY. That is the purpose of this bill, to give him some more money.

Mrs. DONNELLY. But where are you going to get the more money? [Laughter.]

Senator MURPHY. We are going to collect it from somebody you say can't pay it.

Mrs. DONNELLY. You know, I lived in a small railroad town in Kansas. I was brought up there and I have a number of friends there. They are railroad people and those people have 5 days' work or 10 days' work and their pay has been cut and it has been cut again and they have been reduced in rank. I am going to say that you can go into this town of Parsons, Kans., and you will find scarcely one home there that somebody is working that there is not 1 or 2 or 3 other workers that are not working, that are being supported by the ones that are working for this small amount of money. Those people mostly own their homes, a good many of them are back on their taxes, they are simply spending all the money that comes in from that 1 or 2 wage earners for food and clothing.

Senator **Kendrick**. Your opinion is that the farmers have no monopoly on trouble?

Mrs. **Donnelly**. I know that they haven't. That is the point.

The **Chairman**. Mrs. Donnelly, if you have finished your testimony, we will have to hurry along.

Senator **Kendrick**. I want to say to Mrs. Donnelly that I am glad to have heard her testimony because as I apprehend, as a witness for the consumers, you will be the sole survivor. [Laughter.]

STATEMENT OF JOHN W. SIMPSON—Resumed

The **Chairman**. Mr. Simpson, you may proceed. As I said, we have got to conserve the time. We will have to appoint a conservator. [Laughter.]

Mr. **Simpson**. Mr. Chairman, I will commence where I left off. The next thing that I had in my paragraphs to discuss is I want to give you what I believe is of first importance, it isn't in this bill but it is of first importance. Forty or fifty percent of the farmers are sinking out in the middle of Old River Mortgage and the first thing is to throw him a life-saver. Dry clothes, warm clothes are no good to the fellow that is sinking in the middle of the river, they will be good for him when he gets to the bank but you have got to get him to the bank first. It should be considered an emergency measure, I think almost equal to the banking emergency measure. You must make some provision for refinancing that farmer. There were two agricultural planks in the Democratic platform, and I gave you the one the other day, and the other was a promise to see that farmers are refinanced at lower rates of interest and long time payments on the principal. That must be real and not a makeshift, just as getting the cost of production must not be a makeshift, it must be real. This bill is a makeshift in cost of production. We cannot stand for a makeshift in refinancing. It must be something real. They have talked about in the papers in the last 2 or 3 days of something that will reduce the interest rates to 5 percent. That is not real. That is makeshift. This Government has been refinancing lots of people at less than 1 percent interest on long time, as much as 20 years. It can afford to refinance farmers at a reasonable rate. Seventeen State legislatures have memorialized Congress to pass a refinancing bill here known as the Frazier bill. When the farmers in 17 States have been interested to the extent that they have been able to get joint resolutions through 17 State legislatures memorializing the passage of that bill, I think it should have some weight.

Talking now about the export trade, to reduce the tariffs—you can reduce the tariffs, you can obliterate them, abolish them, and you will not be able to sell the products of this country to other countries. That isn't the thing that is keeping China from buying of us and Japan from buying of us and Canada from buying of us. The thing that is keeping other countries from buying our products is the fact that we have a very high-priced dollar and they have a cheap one.

Senator **Wheeler**. Because 44 countries are off the gold standard and we are on the gold standard?

Mr. **Simpson**. That is correct, Senator. No nation that has a high-priced dollar can sell their products to a country with a low-priced dollar. Canada smiles. You talk to our merchants along the Canadian border and they will tell you their folks go over there every week and buy their necessities and bring them back home. Why? Because they can take our high-priced dollar over there and change it into a low-priced dollar and have a profit and a trip.

Senator **Norris**. You omit one thing, Mr. Simpson, it seems to me. Even though we are starving and suffering, ought we not to be recompensed for that by the knowledge that we are still on the blessed gold standard? [Laughter.] Wouldn't it be something if you were starving to death to know that you starved in the interest of the gold standard?

Mr. **Simpson**. I had a letter from one farmer who said they went over and saved a neighbor's farm from being foreclosed through the pressure method, and the fellow whose farm was saved got to discussing different kinds of money. He said "I sure wouldn't want to go off the gold standard. We don't want any fiat money." That must have been a great recompense, the fact that he had a gold dollar that is higher than anybody's in the world. That is about all the consolation he gets out of it.

Senator **Norris**. It isn't very often he has the dollar.

Mr. **Simpson**. I mean his country has it. Let me put in this remark, too, Don't get excited about prosperity. The test of prosperity is whether you have more money in your pocket. It is time enough to be whooping it up that you have prosperity when the money is flowing in your pocket faster than it has been before.

Senator **Wheeler**. I take it that it is your view that no matter what farm legislation you may pass, it can't possibly be a success unless and until we cheapen this dollar at the present time?

Mr. **Simpson**. It is my absolute conviction from deep study of the thing that the one big thing to do is to bring down the price of your dollar where it will not buy so much. Like Mrs. Donnelly says here, Where are you going to get the money? Where are you going to get it under a gold standard? You can't do it. As I put it before a committee in the last session, it is the bull wheel. Those of you familiar with farm machinery and with a grain binder know the source of all power is the bull wheel. If that thing stops, your sickle stops, your canvas stops, knotter, kicker, everything. As long as the bull wheel is going, there is nothing very serious with the machine, but it is certainly serious when the bull wheel stops. The medium of exchange of a country is the bull wheel of all prosperity. When it stops, when there is no medium of exchange, anything you do will not have much effect.

Senator **Wheeler**. You have given some considerable thought, have you not, Mr. Simpson, to the question of remonetization of silver?

Mr. **Simpson**. Yes, sir.

Senator **Wheeler**. And is it your conviction that that would do more to help the farm industry in this country than any farm legislation that we might pass?

Mr. SIMPSON. I think it is of prime importance. It should come first. That opens up your trade. When you remonetize silver in this country, you immediately double and treble the cost of production in all other countries. The higher your money goes, the higher your dollar goes, to that extent you cheapen the cost in other countries. That is the reason they can come over here and pay your tariffs and sell to you. But you can't sell to them.

Senator McGILL. You think a price-fixing bill such as you described here the other day would be an advantage to the farmers immediately with the exception of the portion of his commodity that must be sold in a foreign market?

Mr. SIMPSON. Yes, sir. An immediate price fixing that will cover cost of production is the only kind of a price fixing bill that will be satisfactory to the farmers of the Nation.

Senator McGILL. That would help him immediately, wouldn't it?

Mr. SIMPSON. Yes, sir; and Senator, I make this challenge to anybody that is a responsible party, head of a farm organization, Secretary of Agriculture, any responsible party; I will take the House roll 3835 and attack it and they defend it, and we will go to not less than 10 States or as many more as they want to, advertise the meeting, and I will take the McNary bill, the Farmers Union plan of fixing the price at cost, and I will advocate that and let them attack it, and at the close of the meetings we will let the farmers present—and there will be thousands of them go to that kind of meeting—vote as to which bill they prefer. If the aggregate of the vote does not exceed 2 to 1 in favor of the McNary bill, I will come back before your committee and say "This bill is satisfactory." I am here to tell you the farmers are against this bill.

Senator McGILL. What I am getting at is that a price-fixing bill such as you advocated in your testimony the other day—I think we all understood it—would operate immediately to benefit the farmers of the country?

Mr. SIMPSON. Yes, sir; it is simple. The plan as outlined is just as simple as the price fixing for electricity and gas and railroad transportation and all that.

The CHAIRMAN. Mr. Simpson, you said a moment ago the farmers are against this bill. To what extent would you apply that statement?

Mr. SIMPSON. I just said I would challenge anybody that is responsible to go into 10 meetings, 1 meeting to a State and as many more as the other party might want, and at the close of the meetings we would leave it to a vote of the farmers and if they were not 2 to 1 against it, I would come back and advocate this one. I will pay my own expenses and if the other fellow hasn't money enough to pay his, I will take up a collection for him. A lot of representations have been going out, the big daily newspapers have been saying what a fine thing this is, and some of the farmers are saying "Put it through" but they don't know what it is. If you write and ask them if they have seen it, there won't be one in a hundred that has.

The Secretary of Agriculture told us on Saturday about the large surplus on hand now, said there was 350,000,000 bushels of wheat on hand. That is not too much to have on hand for safety. We are very likely this year not to produce as much wheat as we consume ordinarily. The winter wheat is about the poorest prospect in years and years. If spring wheat should turn out as badly as we know winter wheat will, I doubt if we produce 600,000,000 bushels of wheat in the United States, and that is the ordinary portion needed for consumption. Last year we only produced 700,000,000 and had only a hundred million more than consumption.

So, to my mind, we need have no fear of the surplus we now have on hand. Three hundred and fifty to four hundred million bushels is not too much to maintain. The secretary also was confused as to how the elevators and mills, and so forth, would keep the domestic-consumption part separate from the exportable-surplus part. Why, it is as simple as can be. Each elevator that handles wheat is licensed and bonded to do that very thing. The mills in this country today can ship wheat in from Canada and under regulation of the Government and bond they are permitted to grind that Canadian wheat and that portion of it that they export they do not have to pay tariff on. They get a refund. The exportable-surplus portion would operate the same way on the part of the elevators and mills.

Senator McGill. There would be no necessity for a segregation of wheat?

Mr. Simpson. Not at all. The elevator is under the regulation of the Government. An elevator may buy a half a million bushels or a million bushels. If it buys a million bushels, 250,000 has to move into export, if 25 percent is the figure. If you are hunting confusion, try to regulate 30,000,000 men, women, and children on the farm. That is confusion for you. And try the taxing method to raise the money to give to the farmer. Fix the price right where the buyer buys it. That is the way to do in all price-fixing legislation.

Here is one thing that is largely overlooked. I had hoped someone would ask Mrs. Donnelly this question: What do you sell a dress for? Then the next question: How much cotton does it take to make one of your dresses? And then, how much did the farmer get for the cotton that went into one of those dresses? I will tell you what you would have discovered under that kind of questioning. You would have found the farmer didn't get 10 cents, and if you had increased the price of cotton, it wouldn't amount to anything in what the consumer paid. That is always true. Take a suit of clothes made of wool today. You pay $35 or $40 for a good suit of clothes. In that suit of clothes, the price that the farmer gets for the wool was not over a dollar. Suppose you doubled his price of wool and he got $2. The suit of clothes would have retailed the same. There is every reason to believe that wheat could be $1.25 per bushel or $1.50 a bushel in Chicago and bread not go up a penny, just be the same price to the consumer.

Senator Frazier. Mrs. Donnelly was not worrying about the price of the garments she had to sell, but the money that the workers had to spend for food products. That was her whole story.

Mr. Simpson. And I am sure they would not have to pay a penny more a loaf, not a penny, not a particle of increase in the price of a loaf of bread if you made wheat twice as high as it is. And the same thing would be true of everything that is manufactured from cotton and wool. There would not be a particle of raise in price to the consumer. All the testimony in investigations made by the Senate of those things, like the bakers—they have testified that the price of the raw product is never reflected in the price the consumer pays for the processed and manufactured article.

Senator **McNary**. I am not worrying myself as far as raising the commodity price affecting the consumer is concerned; what I am worrying about is as to whether or not this bill will raise the price to the farmer.

Mr. **Simpson**. It might to a degree, but not to any great extent. Mrs. Donnelly is right in one thing, if you would pass that on to the consumer, that price, they will probably consume less, unless something is done to put more people to work and increase general commodity prices.

Senator **McNary**. But the trouble with her argument is, of course, that if you raise the price, if you succeed in raising the price of the cotton and of the wheat in this bill by a tax method or by any other method, the proportion or what it would cost in tax upon the consumer would be infinitesimal.

Mr. **Simpson**. Oh, yes. Now, I want to get some figures into the record here that is in a letter addressed to me from the Interstate Commerce Commission, dated March 24, 1933, so these are up-to-date figures, and I asked for a comparison of freight rates on wheat from certain points in Kansas that prevailed in 1914 as compared with present prices, present freight rates, and I want to observe that when you go into this bill with a parity price base you are not taking into consideration the increase in taxes nor the increase in freight rates nor the increase in the annual interest debt of the average farmer.

Senator **Wheeler**. Do you not think, Mr. Simpson, that the average interest rate at the present time—I mean as far as Montana is concerned—the average interest rate in Montana, I think, is lower today than it was in 1908 and 1914, when they were paying out, for instance, in my State, as high or 10 or 12 percent interest; today they are not paying that.

Mr. **Simpson**. But the annual interest debt is much higher in Montana today than it was in 1914. In other words, there is a much bigger indebtedness, mortgage indebtedness, of all kinds.

Senator **Wheeler**. Yes.

Mr. **Simpson**. And that is what I spoke of. Now, here is Scott City, Kans. The freight rate on wheat in 1914 to the ports of Galveston, New Orleans, Mobile was 27½ cents a hundred; the present freight rates from the same town in Kansas to those ports is 46 cents per hundred. You will observe in all of these nearly 90 percent increase in freight rates. From Concordia, Kans., in 1914 the rate was 27½ cents.

Senator **Norris**. To what place?

Mr. **Simpson**. To Galveston, New Orleans, and Mobile. It is all to those ports.

Senator **Norris**. You do not have the Great Lakes and Chicago?

Mr. **Simpson**. No; I have it for export. It was 27½ cents in 1914 from Concordia, and the present rate is 47 cents. From Topeka it was 25½ in 1914; now it is 42½. From Wichita it was 25 in 1914 and now is 44 cents. From Arkansas City it was 24½ in 1914; the present rate is 43. From Lenora, Kans., in 1914 the rate was 32 cents a hundred; the present rate is 48 cents.

Those are the freight rates for export purposes. There are different rates prevailing for domestic delivery to the same towns. Scott City for domestic in 1914 was 34½ cents; at the present time, 55½.

Senator McGILL. From Scott City to what points?

Mr. SIMPSON. New Orleans and Mobile. But not to be exported. It is the higher rate, you see, when it is not to be exported. From Concordia it was 32 in 1914; 55½ at present. Topeka, 27 and 50; Wichita, 30½ and 50. There is a lot of discrimination in towns there, too.

Senator McGILL. I do not understand why it would be more from Topeka to New Orleans than it is from Wichita to New Orleans. It is not as far.

Mr. SIMPSON. I say there is discrimination.

Senator McGILL. New Orelans is about 185 or 200 miles further.

Mr. SIMPSON. From Lenora, another town I gave you a while ago, 33½ in 1914 and 57½ at present. Arkansas City, 30½ and 50 at the present time.

Senator NORRIS. Now, Mr. Simpson, are you through with those figures?

Mr. SIMPSON. Yes.

Senator NORRIS. What reason is given for charging a higher rate to send wheat—or a less rate when wheat is exported than when it is sent to the same place if it is not to be exported?

Mr. SIMPSON. In this letter they give me no reason.

Senator McNARY. The reason that they assign, generally—I have had it up with the Department—the reason they generally assign is so that the exporter can compete with foreign countries in the sale of wheat. That is the reason they give.

Mr. SIMPSON. It is to promote and encourage exportation, I take it. Now, I want to call your attention to some banking conditions that have to do with prices of farm products.

Senator McNARY. Before you get on that subject I would like to ask you a question: Under your plan of simply fixing the price that they have to pay, how would you dispose of the surplus? I mean you would get—suppose you fixed the price, we will say, at $1 for the consumption here in the United States, and the part that was not consumed in the United States, say, you fix that at 50 cents—I presume that would be about what you would have to fix it for export at the present time—probably less than that—you would figure out the percentage that was going to be exported and then you would pay the farmer for all of his wheat on the basis of the price that is arrived at by computing the two together. Now, what would you do with that surplus? I mean, you would have to dump it upon the world market, would you not? What is your plan with reference to that?

Mr. SIMPSON. The buyer of that wheat is a private individualistic institution or corporation, as it may be, and they do with that just what they do with it now. They buy it now and pay the farmer right at his unloading place, and they would do with that just as they do now, sell it to the best advantage they can for export, the part that is exportable surplus.

Senator NORRIS. Would they be allowed to sell it in this country?

Mr. SIMPSON. Except as it went through bonded mills and elevators to be exported. My first impression of the suggestion that was made here, that we just average that up, take 4 bushels of wheat and say that the home consumption part would be 3 bushels, three fourths of that 4 bushels, and that it was a dollar a bushel and that that would be $3, and that the other bushel was 60 cents, the exportable surplus, and add the price of the two together and make it $3.60, divided by 4 would be 90 cents they would pay the farmer for the whole business.

There is but one difficulty in that when I got to thinking it over, and that is your home consumption price would be one fixed price for the year, because that is cost of production. It does not change. The other price is a fluctuating price every day, a different price, and it would be a little hard to fix.

Senator McNARY. That is what I was going to get at. That would be a little bit difficult, because the world price would be a changing price.

Mr. SIMPSON. Changing up and down. You might have some big fluctuations.

Senator McNARY. How would you remedy that situation?

Mr. SIMPSON. I just said that with the segregation, the licensed mill or elevator must pay the farmer for that one fourth that is exportable surplus the world price that day in that town.

Senator FRAZIER. Should not the farmer have the privilege of keeping that surplus on his farm if he wants to?

Mr. SIMPSON. Then, Senator, you involve supervising the farmer to see whether he bootlegs it around somewhere.

Senator McNARY. You could not do that very well.

Mr. SIMPSON. I do not want to have to supervise the farmer. I want to keep him pure in heart and honest. [Laughter.]

Senator McNARY. Let me ask you this: The difficulty, it seems to me, is that we are faced with a practical proposition of probably not being able to get the legislation that you would prefer.

Mr. SIMPSON. I am not so sure about that. I think we ought to get it. It is right.

Senator McNARY. I understand that, but it is not a question of what we ought to get, many times; it is a question of the practical situation of what we can get. Now, if this legislation would, as a matter of fact, raise the price of farm commodities to the level of 1914 that, of course, would be much better for the farmer than to—I mean if it would do what the advocates of the bill think it would do—I am not sure at all that it will—but if it would do what the advocates of the bill think it would do, you would much prefer to see something done than to see nothing done, would you not?

Mr. SIMPSON. I think that as a beggar I would say anything you can drop in the hat will be appreciated.

Senator McNARY. Then that seems to be more or less a practical situation with which we are confronted.

Mr. SIMPSON. Now, I want to impress upon the committee the fact that on January 1, 1920, there were 32,000 banks operating in the United States; today there are just 15,000. Seventeen thousand banks have closed their doors; hundreds of thousands of small business institutions have taken bankruptcy.

Senator NORRIS. Mr. Simpson, an idea just occurred to me—I hope you will pardon this interruption, because it is out of the ordinary—I want to ask if you will not give us the date of that letter from the Interstate Commerce Commission concerning the figures on freight rates, and I want to ask the reporter if he will not put that date in at the place where Mr. Simpson testified, so that we will not have to look it up if anyone wants to find it.

Mr. **SIMPSON**. I gave the date when I mentioned the letter, March 24, 1933.

Senator **NORRIS**. Why not put the letter into the record, Mr. Simpson?

Mr. **SIMPSON**. Well, I want to send this letter to a party that asked for this information which I have received.

Senator **NORRIS**. The reporter will not keep the letter; he will copy it in.

Mr. **SIMPSON**. All right, I will do that.

(The letter referred to follows:)

INTERSTATE COMMERCE COMMISSION,
BUREAU OF TRAFFIC, SECTION OF TARIFFS,
Washington, March 24, 1933.

JOHN A. SIMPSON,
Washington, D.C.:

Commodity rates on wheat, in carloads, for the years 1914, 1917, 1918, and present

[Rates in cents per 100 pounds]

FOR EXPORT

From—	To Galveston, Tex., New Orleans, La., Mobile, Ala.			
	1914	1917	1918	Present
Scott City, Kans.	27.5	[1] 28.2 [3] 29.0	[3] 29.0 [4] 36.5	46.0
Concordia, Kans.	27.5	[1] 28.2 [3] 29.0	[3] 29.0 [4] 36.5	47.0
Topeka, Kans.	25.5	[1] 26.2 [3] 27.0	[3] 27.0 [4] 34.0	42.5
Wichita, Kans.	25.0	[1] 25.7 [3] 26.5	[3] 26.5 [4] 33.0	44.0
Leavenworth, Kans.	23.5	[1] 24.2 [3] 25.0	[3] 25.0 [4] 31.5	36.5
Lenora, Kans.	32.0	[1] 29.7 [3] 30.5	[3] 30.5 [4] 38.0	48.0
Arkansas City, Kans.	24.5	[1] 25.2 [3] 26.0	[3] 26.0 [4] 32.5	43.0
Fort Scott, Kans.	25.0	[5] 25.7 [6] 25.0	[3] 25.0 [4] 31.5	36.5

FOR DOMESTIC DELIVERY

From—	To New Orleans, La., Mobile, Ala.			
	1914	1917	1918	Present
Scott City, Kans.	34.5	34.5	[5] 34.5 [4] 43.0	55.5
Concordia, Kans.	32.0	32.0	[5] 32.0 [4] 40.0	55.3
Topeka, Kans.	27.0	27.0	[5] 27.0 [4] 34.0	50.0
Wichita, Kans.	30.5	30.5	[5] 30.5 [4] 38.0	50.0
Leavenworth, Kans.	25.0	25.0	[5] 25.0 [4] 31.5	47.0
Lenora, Kans.	33.5	33.5	[5] 33.5 [4] 42.0	57.5
Arkansas City, Kans.	30.5	30.5	[5] 30.5 [4] 38.0	50.0
Fort Scott, Kans.	25.0	25.0	[5] 25.0 [4] 31.5	44.5

[1] See footnotes at end of table.

Commodity rates on wheat, in carloads, for the years 1914, 1917, 1918, and present—Continued

[Rates in cents per 100 pounds]

FOR DOMESTIC DELIVERY

From—	To Galveston, Tex.			
	1914	1917	1918	Present
Scott City, Kans	37.5	37.5	[2] 37.5 [4] 47.0	50.0
Concordia, Kans	37.5	37.5	[2] 37.5 [4] 47.0	51.0
Topeka, Kans	38.0	38.0	[2] 38.0 [4] 47.5	48.0
Wichita, Kans	35.0	35.0	[2] 35.0 [4] 44.0	46.0
Leavenworth, Kans	35.5	[7] 35.5 [8] 35.0	[2] 35.0 [4] 44.0	48.0
Lenora, Kans	44.5	44.5	[2] 44.5 [4] 55.5	53.0
Arkansas City, Kans	34.5	34.5	[2] 34.5 [4] 43.0	46.0
Fort Scott, Kans	35.0	35.0	[2] 35.0 [4] 44.0	--------

[1] Effective Jan. 1 to Mar. 11, 1917, inclusive.
[2] Effective Jan. 1 to June 24, 1918, inclusive.
[3] Effective Mar. 12 to Dec. 31, 1917, inclusive.
[4] Effective June 25 to Dec. 31, 1918, inclusive.
[5] Effective Jan. 1 to Feb. 14, 1917, inclusive.
[6] Effective Feb. 15 to Dec. 31, 1917, inclusive.
[7] Effective Jan. 1 to May 15, 1917, inclusive.
[8] Effective May 16 to Dec. 31, 1917, inclusive.

Rates are subject to minimum weight of marked capacity of cars, but not less than 40,000 pounds.

The present rates are not subject to any emergency charge.

G. M. CROSLAND,
Chief, Section Tariffs.

The CHAIRMAN. Mr. Simpson, you will have to hurry along, because we are limited in time.

Mr. SIMPSON. Now, the cause for the closing of 17,000 banks, more than half of them in the United States, in the last 13 years was the low price of farm products. That is the cause, 10-cent corn to the farmer, about 7-cent oats, and less than 30-cent wheat out in Senator Wheeler's country. I had a letter the other day that their high-priced wheat was bringing 20 cents, some of the rest down as low as 13 cents. Those prices will close every bank in the United States inside of two years, bankrupt every institution. The condition today, and I get it from the records and I get it from hearing these economists give the figures before the banking committees and so forth—are that we have got over 200 billion of indebtedness in the United States today, and if all the property in the United States was put under the hammer it would not bring that much. In other words, a privileged few now hold the obligations of the great mass of the people to the extent that any time they want to foreclose they can make about 120,000,000 of us propertyless. You have got one way to remedy that thing, and that is to make the dollar cheap enough so that the farmer, the little business man, the professional man, everybody, can pay their debts.

Senator McNARY. I agree with you that if something is not done about it you are going to have a further general collapse of all business and all prices in the United States.

The CHAIRMAN. Mr. Simpson, are you through?

Senator McGILL. You have got some sections of this bill that you have not covered?

Mr. SIMPSON. No; I have covered all the sections.

Senator THOMAS of Oklahoma. I want to ask one or two questions, Mr. Chairman.

Mr. Simpson, the prices you have just given for farm commodities, of 10 cents for corn, 7 cents for oats, and 30 cents for wheat, and 5 cents for cotton—those prices are not sufficient to pay cost of production?

Mr. SIMPSON. Not cost of operation.

Senator THOMAS of Oklahoma. Now, when we hear it said that if we reduce mortgages the farmer will be benefited, is it not true that if the farmer had his mortgage eliminated entirely, he still could not exist?

Mr. SIMPSON. Under the present prices you could not give me the best farm in Illinois or Iowa, I do not care whether it be 160 acres or 160,000 acres, if it was clear and you would say, "Here, you can have it, Simpson, but the prices are going to remain where they are for 10 years and you will have to pay the taxes," I would not take the best farm of any size anywhere.

Senator THOMAS of Oklahoma. We heard it said this morning that if we just reduce local taxes and State taxes and Federal taxes, the farmers would be vastly benefited. Is it not true that if the farmer had no mortgage and had no taxes to pay whatever, he still could not exist with present prices?

Mr. SIMPSON. He has to exist by eliminating everything that a human being has a right to have in his standard of living. That is the only way he can exist under present prices.

The CHAIRMAN. If there are no further questions, we will thank Mr. Simpson and ask Mr. Fred J. Lingham, representing the National Millers Association, to appear. Please give your name and address and whom you represent, Mr. Lingham.

STATEMENT OF FRED J. LINGHAM, REPRESENTING THE NATIONAL MILLERS FEDERATION

Mr. LINGHAM. My name is Fred J. Lingham, chairman committee on legislation, Millers National Federation, and president of Federal Mill, Inc.

Senator NORRIS. Tell us something about that association. How large is it and where is its headquarters?

Mr. LINGHAM. Our association has about 75 percent of the milling capacity of the country, Senator Norris.

Senator NORRIS. What percent do you have of the number?

Mr. LINGHAM. I do not remember, but it includes mills of all sizes, large and small, but as to the percentage I do not know, but mills of 100 barrels or even 25 barrels a day are in the organization.

Senator NORRIS. It is a voluntary organization?

Mr. LINGHAM. Entirely voluntary. The matter of price, for instance, is never mentioned in the meetings.

Senator NORRIS. Contributions are made by the membership in accordance with the size of their mills?

Mr. LINGHAM. Yes.

The CHAIRMAN. And what percent of the wheat do you mill, or grain?

Mr. LINGHAM. On that basis we would mill, I presume, about the same percentage, perhaps 75 percent, perhaps a little more, because the mills that are members are naturally the more active mills.

Senator NORRIS. Does your membership extend all over the United States?

Mr. LINGHAM. From coast to coast; yes. So that the committee may know something as to my being able to give testimony, I want to say that I have been in the milling business 40 years this fall. Some years ago——

Senator NORRIS (interposing). You do not look that old.

Mr. LINGHAM. Thank you, Senator. Some years ago I was president of the association, and I might say I am now president-elect. During the war I had charge of the milling division of the Food Administration, the last year of the war. The first year I had only part of it, but the last year of the war I was located in Washington in charge as one of Mr. Hoover's dollar-a-year men. In that way I am acquainted with the industry more or less from coast to coast and know men from coast to coast in the industry.

It might be of interest to the committee to know something of the war experience. We found it more difficult to withdraw regulations than to start them. It was comparatively easy, for instance, for us to issue a regulation to the effect that a dealer must sell substitutes with flour; namely, that he could not sell flour unless he sold substitutes. When we tried to withdraw that regulation, we found a very serious situation. The dealers of the country said to us: "You as a governmental body, or Food Administration, have required that we buy substitutes. The market has now gone way down. Now, you are leaving these substitutes on our hands, because no one will buy them when the regulation is withdrawn." The result was that we had to go out and buy these substitutes from the dealers and ship them abroad for war purposes. We were able to do that at that time, of course, when it could not be done now. But, even at that, it put many dealers into bankruptcy, because we bought these substitutes at, possibly, $5 a barrel, when they might have cost them $10 a barrel.

In 1918 you may remember that the President named a guaranteed price for the 1919 crop, a guaranteed price on the wheat for the 1919 crop. That was because we, of course, expected at that time, or through it probably that the war would continue, and we wanted to increase production, and therefore named a fairly high price. But the war stopped and the result was that we had to guarantee to dealers that if they would continue to buy the wheat and keep in its natural flow, we would protect them against loss. That was an implication that came up under those circumstances.

During the war, feed went as high as $80 a ton. Our committee felt that it was entirely unfair to the farmers of the country to charge them $80 a ton when we were buying their wheat at less, so we, possibly in our inexperience, put the price down to around $30 a ton, named that as a maximum price on feed for the protection of the farmers. Now, what happened? Some of the small mills bought hogs and fed the feed to the hogs so that they would not be forced to sell it at less than actual value which they could get out of the feed in the shape of hogs. Then we were bombarded by wires from all over the country that we had put feed to a value lower than its real value compared with other commodities. We were bombarded by wires from all over the country that we must divert feed to those sections to keep their cattle from starving. I know we got very pitiful wires from New England and from the Pacific coast. The mills wired us that we must do something to let them have more feed. The bankers wired us, the cattle men wired us, that we must get feed out there to keep them from starving.

It got along toward the end of the war and we withdrew the regulations. Within a week or two those same people were wiring us urging us to help them take the surplus off their lands. In other words, we had put feed to an abnormally low price, and it developed they had a shortage; then we took the regulation off and it went up, it developed all of a sudden they had a surplus. It is just an indication of what happens under any artificial regulation.

The proponents have said, "Let us try it out, and if it does not work we will discontinue it." I think only men who have had practical experience in a national way have any idea of just what that means. To me it is quite like saying, "We will build a bonfire near a haystack, and if the haystack catches on fire we will put it out." After a regulation of this kind, or a plan of this kind rather, is once put under way it cannot be just stopped without very serious injury.

Senator NORRIS. I would like to observe there, I recognize the force of that argument and that illustration, but suppose we were freezing and our children were freezing, and we could not move away from the place where we were that was close to the haystack; we were going to die by being frozen to death unless we had a fire; we recognize that if we build a fire there may be danger of a conflagration. What would we do under those circumstances?

Mr. LINGHAM. Well, Senator Norris, I think there are two entirely different situations. I think I would hesitate about building a bonfire for fear I would be burned up instead of being frozen. You are assuming that the person——

Senator NORRIS (interposing). We are certain of death anyway, and it is just a question of whether we would rather freeze to death or burn up. [Laughter.] But I would feel that I would have some hope—I might have a good deal of doubt about it, about whether I was doing more damage than good, but if I could not see any way to save my life or the lives of my family I would take a pretty desperate chance on burning the haystack.

Mr. LINGHAM. Well, Senator, if you had known of a hundred or a thousand such experiences and they had all been burned up, I think you might hesitate. In this case there have been hundreds of these experiments made. I believe it is historically correct that there has never been a single instance where they have worked out. Of course, a man might say in reply to that that they are trying it in Europe. We do not know how that will work out, and then the situation is entirely different anyway. They are giving a bonus over there, of course, to increase production. It is quite different from our giving a bonus here which we think will increase the price.

Senator **Wheeler**. Let me ask you this: It is all right to come here and say that "this plan won't work out," but everybody recognizes that knows anything about farm conditions, that unless something is done to get up farm commodity prices you are going to have a further collapse of all of your economic conditions in this country. Now, have you, or do you intend to give us some suggestions for a plan that will be successful, in your opinion? The trouble is that everybody comes in and says, "this won't work"—not everybody, but some of them come here and say, "this won't work" and "that won't work," but they never propose a suggestion that they think will help the situation. Now, we have been following, as a matter of fact, the suggestions that have been offered by a lot of people in the last two years coming down here, the bankers and a lot of other people coming down here, as to suggestions on what they thought we ought to do to help the situation, and Congress has jumped through a hoop to accept their suggestions and in each instance the suggestions that we have gotten from the financiers have failed and have not worked out. Now, when we propose this bill—when we find a group of people, the financiers, some of the financiers of the country, saying "this won't work" but they do not offer anything to take its place, we want to hear something that will take its place.

Mr. **Lingham**. Moreover, Senator Wheeler, I think in the first place the freight-rate situation must have serious consideration.

Senator **Wheeler**. I agree with you.

Mr. **Lingham**. I hesitate at any time to discuss any other line of industry. I know I see men on the stand here that talk about things in the milling industry, and they have no more conception of what they are talking about than a child. Now, I hesitate to talk about the railroad industry, but I understand from railroad men that they begin to believe that rates must be reduced.

Senator **Wheeler**. It is about time they begain to realize it, because they have constantly been coming before the Interstate Commerce Commission asking for higher rates and higher rates all the time, thinking that they could make the railroads prosperous in that way.

Mr. **Lingham**. And they have gotten their rates, you might say, artifically high, and now they have the competition of the trucks that is making long hauls and they have got to come back to a more normal basis, I think.

Then you ask what I think of Senator Smith's substitute. I would say it has probably the most hope of reasonable assistance to the farmer.

Senator **Wheeler**. You do not think it would work with reference to wheat, do you?

Mr. **Lingham**. I think it would work decidedly better than the domestic allotment plan. I do not think there is any comparison.

Senator **Wheeler**. How would it work on cotton? I have been interested to find if the Smith plan would work with reference to wheat, but in my talks and conversations with people who are interested in the wheat situation there is quite a different situation existing with reference to wheat than there is with reference to cotton. I can see how it is possible for it to work out with cotton, but I am at a total loss to understand how it is possible for it to work out with wheat.

Mr. **Lingham**. Of course, Senator Wheeler, it is theoretically possible, at least, that a reduction of acreage should reduce consumption; however, I would rather not take my time to go into that. I am afraid the chairman would be saying——

Senator **Wheeler** (interposing). But I do not see how it is humanly possible for it to work out with reference to wheat. Now, if you can show me how it can work out with reference to wheat, I would be glad to have you do so, because that is one of the things that you are here for and that we want you here for, to give us some constructive suggestions. Now, if you can show me how it can work out, can possibly work out with reference to wheat—and I think I know something of the wheat situation in the northwest and with reference to the acreage situation in the northwest—I would like to know it.

Mr. **Lingham**. Well, Senator Wheeler, I think it is generally overlooked that the margin or that the supply, rather, has not, over a period of years, been very much beyond consumption.

Senator **Wheeler**. You mean the world supply?

Mr. **Lingham**. In the United States. Of course, we have got rid of some for export in the past, but this past year the consumption of wheat in the United States was just about an even bushel per capita less than before the war, the year before the war. If we had maintained pre-war consumption we would have had a serious shortage today, or what would have happened to the farmers of the country is that they would have had to raise more wheat, we would have had to raise a billion bushels more wheat since the war than we have raised if we had maintained pre-war consumption—and by the way, I am not intentionally getting away from your question, but while I think of it I would like to refer to the fact that now we are setting up a barrier against consumption to still further reduce consumption

Senator **Wheeler**. How is that?

Mr. **Lingham**. By the tax.

Senator **Wheeler**. But you would not for a minute contend that if you raise the price of wheat to 90 cents a bushel, it is going to materially raise the price of the finished product, the price of bread to the consumer, would you?

Mr. **Lingham**. Senator Wheeler, when Mr. Simpson on the stand made the statement that he did, to the effect that it would not increase the price of bread, that is absurd.

Senator **Wheeler**. No; but that is not what I am asking.

Mr. **Lingham**. Let me answer you more definitely. I do not like to mention Mr. Simpson's name. He is a very fine man, but I think he is misinformed. Three dollars a barrel might be about the tax per barrel on flour under this plan. A 1-pound loaf of bread contains two thirds of a pound of flour. In other words, it would increase the cost of the flour in the bread 1 cent a loaf. Now, the bakers of the country today as a whole are perhaps hardly breaking even. I have a statement from one of the best bakers in the country showing that he lost money last year, and I do not suppose there is a bakery of any size, unless it is some little family bakery selling over the counter, that is making anything like a cent a loaf. Now, that extra cost must go on, and while 1 cent a loaf seems like a low figure, the fact is that that $3 a barrel is in there, whether it goes through the bakery or whether it goes in the shape of flour, and the public must pay it.

Senator WHEELER. But the reason why the bakers of the country at the present time are losing money, many of them, is because of the fact that they are not having the consumption of their product, is it not?

Mr. LINGHAM. Yes; and furthermore——

Senator WHEELER (interposing). So, you do not mean to say that if the price of bread was raised 1 cent, it would materially cut down the consumption of flour in the country—or the consumption of bread in the country, do you?

Mr. LINGHAM. Senator Wheeler, I think if general conditions change so that the price of bread went up 1 cent it would not; but what I do believe is that if you raise wheat to 90 cents and leave corn at 25 cents and oats at 18 or less, then you have established such a wide disparity of prices that it would reduce the consumption of wheat; and also, I think you must recognize the bitter resentment that will come among the consuming public when they realize the situation, that they will not use so much bread.

Senator WHEELER. That seems to me a very far-fetched statement. In the first place, if you can raise wheat to 90 cents a bushel and 95 cents a bushel in the United States, what are you going to do with the great mass of farmers? You are going to give the farmer purchasing power so that he can come in to the manufacturing districts of this country and buy boots and shoes and clothing and automobiles and everything else under the sun that he wants. The farmer is absolutely the backbone of the purchasing power of this Nation, and if any man is so foolish as to think that you can keep the farmer of this country down to the present level and you can have prosperity in the manufacturing districts of this country it seems to me that he is pretty nearly a fit subject for some institution.

Mr. LINGHAM. Senator Wheeler, I was interested when Secretary Wallace was on the stand Saturday to have someone ask him—I think it was Senator McNary—ask him what proportion of the taxes would be used, or the bonuses—what proportion of the bonuses would be used to pay mortgages and taxes and interest, and I believe the Secretary promised to give you that information.

Now, to try to simplify it, this plan under consideration, the domestic allotment plan, would tax the people of the country something over a billion dollars, and those figures which I have put before you at different times were made from very carefully gathered statistics, official statistics. If half of that goes to pay mortgages—I do not know what would go, but if half of that goes to pay mortgages and taxes and so forth, certainly the other half cannot come back to the manufacturing employer.

Senator WHEELER. But just stop and think of it. If you raise the price—you are familiar, I assume, with the farming conditions; supposing that tomorrow you raise the price of wheat to 90 cents so that the farmer in North Dakota, Minnesota, Montana, and all these other sections of the country would have a purchasing power instead of 17 cents a bushel for their wheat, or 13 cents a bushel for their wheat—and they cannot possibly raise wheat for that—he cannot possibly pay taxes or interest or anything else. Let me just call your attention to those that are opposing this bill and say that in my humble judgment if the situation in this country continues our whole economic structure wlll collapse. The farmers of this country are right on the point today, the most conservative group in the whole country, and the backbone of conservatism, they are on the verge of a revolt, and the overthrowing of your institutions right now, and yet you come here and say to me that if you raise the price of farm products in this country you are not going to increase the purchasing power and you are not going to put men to work in your factories.

Mr. **Lingham**. Senator Wheeler, I have not stated for a moment that I had any objection to raising the price of farm products. The milling industry and the grain trade and everyone connected with the farm industry would be glad to see prices go up, but we believe they can only go up through natural laws.

Senator **Wheeler**. What natural law? Now, we have been working on the basis of natural laws, we are told—that is, we have heard in this country, as a matter of fact ever since I can remember, that "you must leave everything to natural laws". Every banker that has come down here, every railroad president that has come down here, every miller that has come down here, has said, "You must leave this to natural laws", and we have left it to natural laws, according to their theory, until you have got a country, the richest, the most conservative country in the world, right on the verge of revolt today, and your whole economic structure is on the verge of collapse, leaving it to the natural laws that you talk about. The trouble is that you have not been leaving it to the natural laws, because of the fact that you have been passing legislation, class legislation in favor of the group here in the East, and I for one am getting entirely tired of having people come here and say, "You must leave it to the natural laws to bring the farmer back", when the other fellow has been getting laws passed through Congress to help him put him in a favored class.

Mr. **Lingham**. Well, Senator Wheeler, I believe there is some help at least that will run parallel with natural laws. For instance, I think the railroad situation, the freight situation, is something that will help the farmer.

Senator **Wheeler**. That will help them to some extent. There is no question about that.

Mr. **Lingham**. Then if we can create a demand abroad for our wheat, to take wheat as an illustration, that would help.

Senator **Wheeler**. How are you going to create that demand abroad? Will you tell me that?

Mr. **Lingham**. I have not studied that in detail, Senator Wheeler, but some believe that there can be reciprocal arrangements made with foreign governments that will help to take some of our surplus from this country. I could not give you the details because I have not studied it.

Senator **Wheeler**. Have you got one constructive idea that you can say that you have got, some substitute for this bill that will help the wheat growers of this country or raise the commodity price level of the farmers of this country?

Mr. **Lingham**. I believe the freight situation would help more than anything else; on the other hand, I believe that this proposal would hurt the wheat farmer very decidedly because I do believe that he would lose his customers, and many of them permanently.

Senator **Wheeler**. What customers is he going to lose?

Mr. **Lingham**. The consumer.

Senator **Wheeler**. He is going to lose the consumer?

Mr. **Lingham**. Yes; that is, a proportion of them. I do not mean lose them all, and I was considering wheat flour.

Senator **Wheeler**. I have heard you talk about losing his customers. What customers is he going to lose? If you raise the price of wheat to 90 cents, what customers is he going to lose? On the contrary, is he not going to gain customers because of the fact that it is going to put men back to work in the factories and raise wages and keep them up?

Mr. **Lingham**. Of course, Senator, I think we entirely disagree as to what that will do. In other words, I cannot see how we can tax 10,000,000 people out of work to give to the farmer with the possibility that half of that money will come back to the unemployed.

Senator **Wheeler**. Why talk about taxing them? The trouble is you are going on the wrong theory. You are talking about taxing them, but suppose you actually fixed the price—supposing that tomorrow you could fix the price of wheat at $1 a bushel in this country——

Mr. **Lingham** (interposing). And leave corn and oats and potatoes unchanged?

Senator **Wheeler**. There is nothing said about that. No; that is not the purpose of the bill to do that. It is not the purpose of the bill to leave corn and oats unchanged; the purpose of the bill is to do something to help corn, oats and wheat and cotton. Now, there is not any scheme here to leave corn and oats and barley and these other things without any assistance whatsoever.

Senator **Capper**. You speak of relief through reduction in freight rates. Now, the rate on wheat from the Kansas wheat belt to Chicago is about 20 cents a bushel. Suppose we cut that in two, which we could hardly hope for, yet it ought to be done, it would mean only 10 cents a bushel more to the farmer who is producing wheat. Now, I wonder if you remember the results of the investigation we had here about a year ago when we tried to find out whether, under the working of natural laws, the law of supply and demand, when wheat went down from $1.50 a bushel to about 50 cents a bushel, taking the figures of the Bureau of Labor Statistics and the Government statistics, the price of bread remained practically the same? The reduction in the price of the farmer's wheat was not reflected to any noticeable extent, so far as we were able to learn, in the price to the consumers following that reduction.

The **Chairman**. Before he answers that question, there has been a call for the Senate. I do not know what is to be discussed on the floor of the Senate, and I would like for the committee to go on with the hearing, and if it is agreeable to the committee we will continue the hearing, and any members of the committee here who wish to may send their names in, as we usually do. We will continue, unless there is an imperative need for our presence. You may proceed, Mr. Lingham.

Mr. **Lingham**. I have before me the figures from the Bureau of Labor Statistics of the United States Department of Labor. The price of bread throughout the country that they used as their base July 15, 1930, was 8.8 per pound; July 15, 1932, it was 6.8. In other words, the price, according to the Bureau of Labor Statistics, declined 2 cents.

Senator **Wheeler**. How much did wheat decline?

Mr. **Lingham**. I do not have that figure. I happen to have flour here. Flour declined 1.85 per barrel.

Senator **Wheeler**. But your price of wheat today, the highest grade wheat in Montana, the farmers are getting 20 cents a bushel, and for the ordinary grade of wheat he is getting 13 cents. Now, what was the price of wheat in 1930? Do you know?

Mr. **Lingham**. I may have that here. No; I do not have it.

Senator **Norris**. You gave the price of wheat. What was that date you gave the price of wheat for?

Mr. **Lingham**. No; I did not give the price of wheat.

The **Chairman**. Let me call your attention to this fact. The great proportion of the flour consumed is consumed in the home; that is, they buy the flour and make their own bread, so that if the flour declines the housewife gets cheaper bread. The loaf of bread that we are speaking about is the bread which is ordinarily bought by the urban class. Have you any figures there showing what proportion of the output of the mills is sold throughout the country to be consumed by the housewife and what proportion goes into your bakeries?

Mr. **Lingham**. As I remember, the latest and best figures that we can get are that about 40 percent goes to the family trade, 40 percent to the bakery trade, and about 20 percent to the restaurants and hotels.

The **Chairman**. Now, if you have got the 40 percent going to the home and if you reduce the price of flour $1.85 a barrel, you have lessened the cost of that home to that extent.

Mr. **Lingham**. Yes, sir.

The **Chairman**. We talk about the loaf of bread. We are here dealing with the farmer. He rarely ever buys bread in that form—not in my section; he buys the flour and he cooks his own bread——

Senator **Norris** (interposing). Bakes, Senator. [Laughter.]

The **Chairman**. I am talking about the language of the man in in the field now. I am a farmer myself.

Senator **Norris**. I thought you were a farmer. That is the reason I corrected you. [Laughter.]

The **Chairman**. Well, he cooks it. [Laughter.] It is very essential in discussing this question to know what percent of the manufacture of the mill grades of flour is consumed by those who really do their own cooking.

Senator **Wheeler**. Let me ask you this question. In June 1930 the price of wheat in Minneapolis was $1.25. I am not sure what the freight rate is on that wheat from Montana points, but I think it is in the neighborhood of 20 to 25 cents, if my recollection is correct; so, to bring the price of wheat to the farmer, say in Montana, at a minimum at that time of around 90 cents to a dollar a bushel, how many bushels of wheat go to make up a barrel of flour?

Mr. **Lingham**. Generally speaking, 4.6—all the way up to 6 or 7 bushels.

The **Chairman**. It varies according to the grade.

Senator **Wheeler**. I mean Montana wheat, high protein wheat. That is the highest class flour you have, is it not, the highest class wheat you have, that high protein wheat, dark northern?

Mr. **Lingham**. That is very good wheat, and it averages 4.6 a bushel, including low grades which are byproducts.

Senator **Wheeler**. Supposing that you take 4½ bushels, or take, say, 5 bushels of wheat at the present time at 20 cents, and that is the very highest price that the highest grade of wheat is bringing in Montana, that would be $1 for his barrel of flour. Now, what is flour selling for out there at the present time?

Mr. **Lingham**. I have no idea.

Senator **Wheeler**. But that seems to me extremely pertinent in this situation. The farmer at the present time for the very highest grade wheat is getting $1 for enough wheat to make a barrel of flour, and the average, out there, the other grades of wheat without the high protein content, are bringing about 13 cents. In other words, the farmer at the very highest is getting about 55 cents, or from 50 to 59 cents for enough wheat to make a barrel of flour.

Senator **Frazier**. I might say I had a letter from a man in far western North Dakota the other day who said flour was $2.70 for 98 pounds. That would be $5.40 a barrel.

Senator **Wheeler**. $5.40 a barrel for flour. Then you talk about if we raised the price of wheat that we are going to cut off the consumers, the farmer's market for his wheat. It seems to me that it is perfectly asinine for anybody to come here and present a view of that kind to this committee, or to anybody who has given any thought, any serious thought to the wheat problem.

Mr. **Lingham**. Well, Senator Wheeler, I have given thought to the wheat problem for a great many years.

Senator **Wheeler**. So have I.

Mr. **Lingham**. And I have had experience in the distributing end, and I cannot help believing that the imposition of a tax of $3 a barrel may have a very serious effect on the consumption of flour. I realize that any estimate that is made is only a guess; we have no data on which to base the figures.

Senator **Norris**. On what data do you base that?

Mr. **Lingham**. I say there is no data.

Senator **Norris**. How do you estimate then $3 a barrel?

Mr. **Lingham**. I just believe that the psychology of the country will be such, of the consumer of flour, when he learns he is being taxed, that the resentment will be such that he will not only not buy so much bread but——

Senator **Norris** (interposing). I do not think you understand my question. Where do you get your information that there is going to be a tax of $3 a barrel?

Mr. **Lingham**. Under this proposed bill the tax might be over $3 per barrel, under the domestic allotment bill. The average would be over $3 a barrel, Senator Norris.

Senator **Frazier**. At 60 cents a bushel, or 59.6 cents a bushel, practically 60 cents, for 4½ bushels that would be $2.70.

Mr. **Lingham**. Senator Frazier, when I gave the figure of 46, that included the low grade. As a matter of fact, for the family trade it takes on an average perhaps 5½ bushels to make a barrel. You understand that in making a barrel of flour you make what is called a straight grade, just the same as a quart of straight grade milk; then you divide that into different grades; you take off, say, 5 percent for low grade, which goes largely for cattle feed, and that would compete with feed, so you could not get a tax on that. That would throw that tax up on the remaining 95 percent. Then a lot of flour is 75 percent patent. There is 20 percent clear that might pay a little of the tax, so that the tax would really be on the average over $3 per barrel. I will be glad to show you that in detail.

Senator **Frazier**. Of course, out in Senator Wheeler's territory and in my territory they figure 4½ bushels to a barrel of flour. We have the high grade wheat, of course, that makes more flour, makes more bread.

Senator **Norris**. I would like to ask a question about the freight at this point in the testimony. I agree, perhaps not as to the relative importance, but it seems to me anybody who will study the subject must be impressed with the fact that the farmer is paying too high a freight rate, and while I do not think that would solve completely his problems, it is a great step in the right direction if it should be rectified. What I am interested in is how would you lower the freight that the farmer has to pay? How can it be done?

Mr. **Lingham**. I do not know, Senator Norris.

Senator **Norris**. I think I know how it could be done, but unfortunately I am in a very small minority, evidently.

Mr. **Lingham**. I believe, Senator Norris, if a conference of railroad executives were called today, possibly by the Interstate Commerce Commission, sitting informally around the table, my impression is that they will be glad to lower freight rates. Of course, now I am talking outside of my district.

Senator **Norris**. I understand, but I think you have made a practical suggestion there if we could utilize it. This committee, of course, does not have jurisdiction of it, but I would like to see it done, but if your remedy is to call in the man who is going to cut down the freight rates and get him to consent when the country is at your mercy, just begging you to lower freight rates, I do not think you have got a practical solution. You will not get reduction in that way.

Mr. **Lingham**. Well, the suggestion has been made that the Government subsidize the railroads to some extent. I would not want to make that suggestion.

Senator **Frazier**. They have been doing that, have they not, and the railroads are going broke too?

Mr. **Lingham**. Well, I do not make that as a suggestion.

Senator **Norris**. You can break down most any machine if you charge too much for its use.

Mr. **Lingham**. That is what they have done, I think.

Senator **Norris**. I think so. But what I am trying to get at is, how are we going to rectify it?

Mr. **Lingham**. Well, I believe that if the meeting of the railroad executives was called, there could be some help along that line.

Senator **Norris**. Would you apply the same thing to the farmer and call him in a meeting and say: "Now, you have got to reduce your prices?" Get his consent to do it? We do not do that in a practical way to get any result if we ask the man who is loaning money, ask him to take a cheaper rate, and we can get it if he gives it to us and we do not get it if he does not want to give it to us, we do not get it. If we applied that to the railroads, we would not get any results.

Mr. **Lingham**. I have talked a good deal with the director of one very important road. I talked to him only Sunday and he is a very strong believer in the idea that the railroads today would be glad to reduce rates.

Senator **Norris**. Why do they not do it?

Senator **Wheeler**. Why do they not apply it to the Interstate Commerce Commission?

Senator **Norris**. Instead of asking for an increase of rates, why do they not apply for a reduction of rates, if that is the way they feel about it?

Mr. **Lingham**. I do not know, and I would rather you would talk to a railroad man about that.

Senator **Frazier**. How would it be if you called in the millers to see if they could not reduce the price of flour?

Senator **Wheeler**. You are representing the millers. Why is it that when the farmer in Montana is getting from 13 to 20 cents a bushel for his wheat, that he has to pay $5.40 for flour? Now, the thing that the people of the country have not gotten clearly is the picture of the farm situation, in my judgment, and they do not realize that the poor devil of a farmer out there is only getting 13 to 20 cents a bushel for his wheat, when the miller sells a barrel of flour for $5.40, and it only takes 4½ bushels of that wheat to make a barrel of flour.

Mr. **Lingham**. Senator Wheeler, of course I cannot answer that question. The fact is that in Buffalo flour is selling at under $3 a barrel to the family; why there should be that difference out there I do not know.

Senator **Frazier**. Yes; you do know, of course. The Montana wheat is based on the Minneapolis price less the freight, and the Montana flour is based on the Minneapolis price plus the freight. You know that as well as anybody else does. You are in the milling business, and of course you know it.

Mr. **Lingham**. Senator Frazier, I must say I do not know the freight structure in Montana.

Senator **Frazier**. Well, you know the way the price of wheat is made in Montana or North Dakota just as well as anyone does. It is based on the price at Minneapolis plus freight.

Mr. **Lingham**. I do not know.

Senator **Frazier**. And when the flour is made right there in Great Falls, Mont., the price of the flour is based on the Minneapolis price plus the freight. The farmers pay the freight both ways, whether the wheat leaves the State or the flour is made right there in the State from wheat grown in the State. You know that as well as anybody does.

Senator **Wheeler**. That is one of the reasons why you have got the condition that you have in the country, to a large extent, not only as to flour but as to sugar and steel and a lot of these other things; they simply go to work and charge the freight rate whether there is any freight rate in it or not. Take sugar produced right in the State of Montana, right in Billings, Mont., the farmer who buys the sugar has to pay the freight rate from San Francisco to his point.

Senator **Frazier**. The freight rate from New Orleans?

Senator **Wheeler**. Well, from New Orleans. The same thing is true of the millers in that section.

Mr. Lingham. I assure you, gentlemen, that that is a very unusual situation that you present of what the price of flour is, because flour is selling at such very low prices in the East compared to those prices you give.

Senator Wheeler. The same thing is true with reference to the gasoline that the farmer has to buy out there. He has to pay for the freight on the gasoline that is shipped up there, whether it is taken right out of the ground right there and refined right there in the city of Great Falls.

Senator Norris. That all brings us back to the freight rate again, the freight-rate structure, where you are paying for freight that does not exist. That is true all the way through, and what I am getting at is, how are we going to remedy it? The only remedy I have heard suggested is that we ask the railroads to change it.

Mr. Lingham. Using the very figures given by Mr. Simpson, for instance, the rate from Wichita to Mobile is 44 cents; if you should take only 10 cents off of that—I suppose that was per hundred—but anyway, if you took off 10 cents a bushel freight rate you would put us practically on an export basis today and get right out of your surplus.

Senator Wheeler. The reason why the millers are opposed to this licensing feature of this bill, and why the processors are objecting to the licensing feature is because of the fact that they know that if the Secretary of Agriculture is given the power to license these people he can stop these practices such as I have mentioned with reference to charging the people of Montana and other places freight where there is no freight being charged, and I for one, so far as I am concerned, shall insist upon the licensing feature in this bill if it is the only feature in the bill that passes.

Senator Bankhead. You have two.

Mr. Lingham. Of course, I think, Senator Wheeler, you are bringing up a very great exception.

Senator Wheeler. No; I am not bringing up an exception; I am bringing up what is the general rule with reference to the situation in North Dakota and Montana, not only with reference to wheat but with reference to sugar and with reference to gasoline and everything else that is produced in the State—manufactured and processed into refined products. No people under the sun can prosper under those conditions. It is time that the millers of the country saw that picture and stopped those practices, and it is time that the manufacturers and the processors of other raw materials saw it and stopped it, because if you do not stop it, you will not have any country or anybody else to buy your products.

Mr. Lingham. Senator Wheeler, the only reason that the mills of the country are opposing this legislation from a selfish viewpoint is that we believe it will seriously reduce the consumption, which, of course, means reduced buying of wheat.

Senator Frazier. You think they will buy something else?

Mr. Bingham. I think they will buy something else.

Senator Frazier. Do you not produce the other products that they will buy?

Mr. Lingham. No; they will buy potatoes, they will buy no end of things. For instance, this would put the price of wheat flour double the price of rye flour; it would put the price of flour, I should say, four times the price of potatoes, four times the price of carrots, four times the price of corn.

Senator **Frazier**. Do you not think it would have the effect of bringing up the price of those other products?

Mr. **Lingham**. I question it.

Senator **Frazier**. If there were more demand for them? Your argument ought to work both ways; if there is more demand for them, it ought to bring up the price of potatoes, corn, and so forth.

Mr. **Lingham**. My point is this: That I think the demand for the other commodities would be spread over so many that it would not have any great effect. It might have some effect.

Senator **Wheeler**. What excuse—your argument does not seem to me to work out very well. If the miller is so afraid that the farmer is going to lose his customers if he raises the price of wheat, when it takes 4½ bushels of wheat at 20 cents a bushel, the very highest priced wheat, would be about 90 cents that the flour should cost—that is, that the wheat in the flour would cost—and he is selling it for $5.40 in North Dakota. Now, why does not the miller stop and think: "Well, I am going to lose the customers for these farmers and reduce that wheat to where he will get a reasonable profit from it"—reduce the flour? There would not be any complaint on the part of the consumers in the East, if the farmers got a cent raise in price, if it was not taken away from them in some other way.

Mr. **Lingham**. Senator Wheeler, here is what I know about: Wheat on Saturday night was costing my mill 65 cents a bushel delivered at our mill in Lockport, on transit basis, Lockport, N.Y. We were selling that flour delivered in Boston for fancy patent, which takes fully 6 bushels to the barrel—we were selling that delivered in Boston in sacks at $5.05 per barrel. Those figures I know about definitely.

Senator **Frazier**. Do you know what it is retailed at in Boston?

Mr. **Lingham**. I have no idea, but I do know—of course, we sell cheaper flour made from that same wheat at $4.45 delivered Boston.

Senator **Wheeler**. You do not think there was any excuse then, for a barrel of flour costing $5.40 in North Dakota when wheat out there is selling at from 13 cents to around 20 cents, do you?

Mr. **Lingham**. No, sir; I do not. I do not think there is any excuse for that price, if that price is correct.

Senator **Murphy**. So as to the Montana consumer's bread there would not be any justification for increasing the price of bread to them?

Mr. **Lingham**. Senator, I just do not like to talk on figures that I have not definitely before me. A price of $5.50 for flour that is costing a mill, say, 20 cents or less a bushel is ridiculous. There is no question about that.

Senator **Thomas** of Oklahoma. Of course, this wheat does not go to the mill at 20 cents. That is what the farmer gets for it, and to that must be added the profit of the elevator and the profit or the cost of transportation, freight rates, and handling at the mill. So, while the farmer only gets 20 cents, in all probability the mill has to pay 50 cents, perhaps, for that wheat.

The **Chairman**. What do you pay for your wheat, on an average, at your mill?

Mr. Lingham. We buy different grades, handle different grades of wheat. We are buying northwestern wheat in the Dakotas, and then we buy from the Southwest, and Saturday evening the price that we were paying for northwestern wheat delivered at our mill, on a transit basis, which is the lowest basis that we have, if we figure it on our local basis it would be higher, but our cost was based on 61⅞ cents for the northwestern wheat, and we were paying—you will be surprised to know this, Senator Frazier we were paying for Kansas wheat a premium of 6 cents a bushel over the northwestern wheat price.

Senator Norris. Why was that?

Mr. Lingham. Because it is a different character of wheat that is needed for a little different purpose.

Senator Norris. You needed that to mix in with your higher priced wheat?

Mr. Lingham. Yes.

Senator Norris. With that premium how much did you pay for Kansas wheat?

Mr. Lingham. We paid 67½ cents.

Senator Norris. You paid more for Kansas wheat than you did for the higher class wheat?

Mr. Lingham. Yes, sir; hard winter wheat. We were buying another grade of wheat for pastry trade purposes at 63½ delivered at our mill. In other words, we were paying a premium for the softest wheat over the strongest wheat.

Senator Norris. That is out of the ordinary, is it not?

Mr. Lingham. Yes. Sometimes that wheat sells at 40 cents a bushel discount under hard wheat; then I have seen it sell at 40 cents a bushel premium over the hard wheat.

The Chairman. Let me get those figures right. It cost you, then, an average of about 65 cents a bushel to deliver at your mill?

Mr. Lingham. Yes.

The Chairman. Now, you say it takes about 5 bushels of wheat to make a barrel of flour, on an average?

Mr. Lingham. Four and sixty-six one-hundredths, as a matter of fact.

Senator Bankhead. Four and two thirds.

Senator Frazier. This wheat at your mill, is that under the milling in bond law?

Mr. Lingham. No; we do not do any milling in bond at all. That is a nuisance.

The Chairman. Your wheat then costs you $2.92 a barrel?

Mr. Lingham. Yes.

The Chairman. You sell it at what, at wholesale?

Mr. Lingham. This price I gave you was delivered Boston.

The Chairman. You deduct the freight from that? You pay the freight to Boston, do you not?

Mr. Lingham. Senator Smith, to figure the prices of flour before this committee would be a most complicated matter, but I will be very glad to sit down with you and show it to you.

The Chairman. I was trying to get some idea—if it costs $2.92 to mill it, I wanted to see just about what the miller got for the barrel of flour.

Mr. **Lingham**. Senator Smith, that price that I gave you would not include 10 cents a barrel profit.

Senator **Bankhead**. What is the freight.

Mr. **Lingham**. Forty-seven cents.

Senator **Wheeler**. You are in the milling business, Mr. Lingham; why can you not give us your costs that go to make up your price? You have given the cost of your wheat; now, what is the cost of your labor, and so forth? I think the committee ought to have that.

Mr. **Lingham**. I will be very glad to do that, Senator Wheeler, and so that you may understand it, I would like the privilege of showing it to you personally. It is a more complicated matter, to figure the price of a barrel of flour, than it might seem.

Senator **Thomas** of Oklahoma. What are the byproducts in making a barrel of flour?

Mr. **Lingham**. In the first place, there is the feed, brand, and midlings; then there is——

Senator **Wheeler** (interposing). What do you get for that?

Mr. **Lingham**. Well, on Saturday that was $20 a ton Boston, and middlings, $19.50. Then take low-grade flour, that was $2.75 delivered Boston.

Senator **Wheeler**. What do you mean by "low-grade flour"?

Mr. **Lingham**. That is the by product, low grade, which is taken off, what we call the "tail of the mill", not used to any extent for human consumption. It goes into feed and is used some for mixing with rye, but you seldom use it alone for human consumption.

Senator **Frazier**. They put it up in little packages and sell it at the rate of 15 cents a pound here in the stores, these byproducts that you say are no good.

Mr. **Lingham**. I do not say they are no good.

Senator **Frazier**. Not used for human consumption.

Mr. **Lingham**. Not to any extent.

The **Chairman**. I want to get the picture of the miller in relation to the wheat. That is what you are interested in and what we are interested in from your standpoint. All the middlemen from you on down, that is another picture; but what I want to know is, what profit, net profit, are you making on, say, a barrel of flour, over and above all overhead?

Mr. **Lingham**. I will give you my word, Senator, that we are——

Senator **Murphy** (interposing). And all byproducts.

Mr. **Lingham**. Yes. We always figure byproducts as coming out of the cost. We never figure any profit on byproducts.

Senator **Bankhead**. What do you get for the part of byproducts from wheat that makes a barrel of flour?

Mr. **Lingham**. It would take some time to figure it.

The **Chairman**. Let me get that expression you use there, that you do not figure cost on byproducts, if you just break even it is all right?

Mr. **Lingham**. In other words, put it this way: The cost of flour is made up of the cost of the wheat plus cost of manufacture, less what you get for your byproducts. That is the simple formula. So we never figure—no miller ever figures a profit on their feed. Now, you ask what profit we are making. I will give you my word that we are not making 10 cents a barrel net profit, and that does not include interest on investment. If we included interest on investment, we would undoubtedly be losing money. We are anyway.

The **Chairman**. That is a picture I wanted to get from your standpoint, from a miller's standpoint. Now, when it leaves you, there is freight and there is the local dealer, the retailer and a host between you and the ultimate consumer. But we are interested in your picture. What effect would a raise in the price of wheat have on your situation, as regards your sales?

Mr. **Lingham**. The entire tax would certainly have to be passed on to the consumer. There is no question about that whatever.

Senator **Frazier**. You say it would be about $3 a barrel?

Mr. **Lingham**. Yes; over $3 a barrel, because it varies with the grade.

Senator **Murphy**. That is expressed in a cent a loaf on bread?

Mr. **Lingham**. $3 a barrel is equivalent to a cent a loaf on a pound loaf of bread.

Senator **Wheeler**. That is when the loaf of bread is manufactured by the baker?

Mr. **Lingham**. Yes; or by the consumer, either one.

The **Chairman**. Now, let me get this. You are saying now that if you pay interest on investment it would be less than—you would just about break even?

Mr. **Lingham**. We would not be making—as a matter of fact, in January and February we lost money, to be exact. Last year we made a little less than 10 cents a barrel, and if we had figured interest on investment we would have lost money.

The **Chairman**. Therefore, according to your statement—I want to get this clear—if there was an additional rise of $3 a barrel, you would have to include that in your cost, in your selling price, so that there would be an inevitable rise of 100 percent to the consumer, whatever tax you put on it?

Senator **Wheeler**. No; it would not be 100 percent.

The **Chairman**. If he is not making a dime now, and you add $3 more, then he would be lost.

Senator **Wheeler**. Of course, if it was not passed on to the consumer. It would not take a mathematician to figure that out, of course, it seems to me, if you had to pay it, if you did not pass it on to the consumer; but the point I want to make is that at the very most it would be a cent a loaf of bread. That is correct, is it not?

Mr. **Lingham**. A cent on a $3 rise.

Senator **Wheeler**. Do you suppose that there are very many people in this country that would object to a cent a loaf on bread if they felt that the farmers of this country instead of getting 13 to 20 cents for their wheat, they would be able to get 75 cents for their wheat; and if they got 75 cents for their wheat they could not only pay the interest on the money that they need, but they could pay their taxes, and they could purchase things that they need? Now, if they do not do that and they do not get this low price of wheat, there is bound to be a larger proportion of unemployment, and following that there is bound to be a lowering of wages and standards of living in this country. Is not that so?

Senator **Bankhead**. And the consumption of wheat.

Senator **Wheeler**. And the consumption of wheat. Does not that follow? In other words, if you know anything about the farmers of the Northwest, you know that they cannot get more than 13 cents a bushel for their wheat, to 20 cents a bushel, and at that price they cannot continue to exist on the farms; they have got to go into the cities and are bound to add to the unemployment. They cannot purchase anything else, and the factories cannot go on producing unless they can find somebody to buy the things that they produce; and the ultimate fact, and one reason why you have got unemployment in this country at the present time, why you have got 14,000,000 people walking the street today, is because of the fact that there is no purchasing power in the hands of these farmers, and the people should wake up to that, the great consumers of the manufacturing East.

Mr. LINGHAM. But, Senator Wheeler, when you take a billion dollars from the present consuming power, you are certainly not increasing the purchasing power. Your theory is that part of it will be returned in the way of purchasing power for manufactured articles.

Senator WHEELER. Not only part of it, but I say that it will start the wheels of industry if you can get the price of wheat up, and if you cannot get the price of wheat up and you cannot get the price of cotton up, and you cannot get the price of corn up, I say to you that your whole economic structure is going to collapse, and instead of 12,000,000 people being out of employment you will have 18,000,000 to 20,000,000 people out of employment inside of 6 months' time, and this country cannot stand, nor can any other country stand, with 18,000,000 to 20,000,000 people out of employment walking the streets of the cities. Now, you just mark what I tell you, that the people have been extremely patient but they are not going to be very much longer.

Senator MURPHY. May I observe there, Senator Wheeler, that as to a very great many who are consuming bread, it is being paid for from taxes levied on the community.

Senator WHEELER. Of course.

Senator MURPHY. And contributions by private charity.

Senator WHEELER. And the Treasury of the United States.

Senator MURPHY. May I ask, with the farmer now getting this price for wheat, what your profit per barrel was on wheat when the farmer got a dollar a bushel for it?

Mr. LINGHAM. As a whole, the mills of the country were making around the same, perhaps a little more profit than today. Today the milling industry is certainly not in a prosperous condition.

Senator MURPHY. They did not operate at a loss last year, did they?

Mr. LINGHAM. When you speak of the profit in the milling industry, it is almost incredible the small profits that mills are satisfied with. A mill is tickled to death with 25 cents a barrel profit. That is a big profit.

Senator MURPHY. For the purpose of this record, you did not operate at a loss last year?

Mr. LINGHAM. Our own company made a little money. What the industry as a whole made I do not know.

Senator MURPHY. You are not in a position to say as to the whole industry?

Mr. LINGHAM. I can say they made less than 10 cents per barrel.

Senator **Murphy**. I do not know whether we have had a complete answer to the question of what the farmer made when he got a dollar a bushel for wheat.

Mr. **Lingham**. No; I have no figures on that. I would not want to put anything in on that.

Senator **Murphy**. The statement was made a few moments ago that the wheat as delivered to you in transit cost 65 cents, that you paid 65 cents a bushel for it, on the average, as I recall.

Mr. **Lingham**. Yes; about that.

Senator **Murphy**. Would you know how much the freight rate was, what that freight rate averaged on that wheat?

Mr. **Lingham**. Yes; on that Kansas wheat, that included a freight rate of 16.2 cents a bushel; on the Minneapolis wheat it included 13.5, although that particular wheat was bought through Buffalo, and in that case it only included about 1 cent a bushel, all based on a milling in transit proportion of the freight to final destination.

Senator **Murphy**. And the farmer got for that wheat with the 16 cents a bushel freight charge, he got 49 cents a bushel for his wheat?

Mr. **Lingham**. Of course, I do not know what the farmer got.

Senator **Bankhead**. Whom did you buy it from, from the Kansas farmers?

Mr. **Lingham**. The wheat was bought from a Kansas City concern. I do not imagine they made a cent a bushel, though.

Senator **Murphy**. But there was another freight charge before it came in there.

Mr. **Lingham**. Oh, yes.

Senator **Murphy**. You made another statement—I think Senator Norris was working along that line in his investigation—I think you remarked that a 10-cent reduction in freight rate would open up foreign markets for your flour?

Mr. **Lingham**. No; for wheat. Of course, that would help flour too, naturally.

Senator **Murphy**. Between what points did you say this 10-cent reduction should be made; as between what points? Any points?

Mr. **Lingham**. Yes; to the seaboard.

Senator **Murphy**. To any seaboard point, if he had a 10-cent rate reduction?

Mr. **Lingham**. To be exact, it would be 10 or 12 cents per bushel. We are about 10 or 12 cents above the export level.

Senator **Murphy**. That would open up foreign markets that are now closed?

Mr. **Lingham**. Yes.

Senator **Murphy**. And you have not been in these foreign markets in how long?

Mr. **Lingham**. Well, we personally do not do any export business. There has been a little odd wheat going out, but very little for export.

Senator **Murphy**. Of course the trade has been in the export business?

Mr. **Lingham**. Yes; to a very small extent and only on special grades.

Senator **Wheeler**. What foreign markets would it open up to you?

Mr. **Lingham**. The world markets.

Senator **Wheeler**. Would you think if you got a 10-cent reduction in freight rates—what world markets do you think it would open up at the present time?

Mr. **Lingham**. I am not in position to answer that without knowing the definite markets at the markets.

Senator **Wheeler**. It would not open up the Chinese market to you, would it?

Mr. **Lingham**. I do not know.

Senator **Wheeler**. It would not—how would it work, for instance, in the case of Argentina, that has a depreciated currency of 40 percent? It would not work there, would it?

Mr. **Lingham**. Senator Wheeler, when you get into the matter of exchange I am lost.

Senator **Wheeler**. But you are saying it will open up foreign markets to you. Now, if you have got a depreciated currency—Argentina competes with the United States in the sale of wheat, does it not? So does Australia. Is not that correct?

Mr. **Lingham**. Yes.

Senator **Wheeler**. So does Russia.

Mr. **Lingham**. Of course, the theory is that when they depreciate their currency their prices will go up.

Senator **Wheeler**. That has been the theory of some of these economists, but in practical effect it has not worked out, has it? Prices have not gone up in England, have they?

Mr. **Lingham**. I raised that very question with an economist, and he said—his reply was that if they had not depreciated their currency the prices would have gone down further. That was his answer.

Senator **Wheeler**. But the truth about it is every economist has said, practically all of these so-called college professors and economists have said that the prices would automatically go up the minute you did that, but England depreciated her currency about 30 percent and the prices have not gone up in England anywhere near 30 percent, if they have gone up at all. Is not that correct?.

Mr. **Lingham**. I understand that is the case.

Senator **Wheeler**. You say it would open up the world markets if you reduce the freight rates 10 cents, and I think we should have that 10-cent reduction in freight rates, because the farmer out in my State cannot compete with the Canadian, because the Canadian gets about that 10 or 12 cents, does he not, in freight rates?

Mr. **Lingham**. I do not know the actual difference.

Senator **Wheeler**. It is about 10 or 12 cents. But you have got Argentina with a depreciated currency of about 40 percent. Assuming that the price of wheat was 50 cents gold in Liverpool, England; when it came back to the United States the farmer in the United States would get 50 cents gold, less cost of transportation and handling charges, would he not?

Mr. **Lingham**. Senator Wheeler, I have listended with a great deal of interest to your discussions in the various hearings on this, and I would like very much to have the time to study the whole world economic situation, but I have not, and it is a study in itself that you have given it.

Senator **Wheeler**. Let me say this to you: I am not one of those who predicts that this will raise the price of farm commodities. I am going to vote for it because of the fact that it is the only alternative that it seems to me is before us that we can get through Congress. I am very skeptical as to whether or not it will do the work. I say that the fundamental thing that the Government of the United States ought to do now is to cheapen the American dollar, and until you cheapen the American dollar, any of these schemes or all of them, in my judgment, are going to fail.

You have Japan, for instance, with a depreciated currency of 50 percent, and you have got China with a depreciated currency because of the very low price of silver. Now you know perfectly well, if you are an exporter of flour, that China cannot buy flour from us at the present time and pay in her silver; buy flour from the American producers. She has got to buy it some place where they have got depreciated currency. That is one of the things to be considered. Likewise with reference to India. India with the present low price of silver can sell her wheat and her cotton on the world market at Liverpool, England, for a much lower price than the American farmer can, and one of the things that is depressing the price of wheat and cotton in this country is because of the fact that silver is at such a low price in the Orient and throughout the world; but you people come here and say "We don't want this," but you offer no constructive suggestion, excepting the one possibly to reduce freight rates.

Senator MURPHY. May I ask just one or two questions, Mr. Chairman? In your statement that you expected a 10-cent reduction in freight rates to open foreign markets to wheat, was that made taking into consideration what Senator Wheeler has said about the difference in exchange, depreciated foreign currency?

Mr. LINGHAM. My statement was based on what we could buy for in Canada is supposed to be on export basis. They cannot sell all the wheat they want to in the depression, but some days ago I asked the price at which they could buy Canadian wheat delivered Buffalo, in comparison with a comparable grade of wheat from our own northwest, and the difference on different grades ran from 7 to 12 cents a bushel. And that was both brought to an American money basis.

Senator FRAZIER. That is including tariff, of course?

Mr. LINGHAM. No; I mean no tariff. I mean without the tariff. Of course, the tariff is 42 cents. I mean we looked up what we could buy it for just to get the comparative values in the two countries, what we could buy our own wheat for as American wheat and what we could buy Canadian wheat for, both delivered at the same dock in Buffalo and on comparable grades, and the difference was 7 to 12 cents a bushel. Now, Canada, generally speaking, is on an export basis. They must be.

The CHAIRMAN. Let me call the committee's attention to the fact that we must try to get through with this witness, because we have got others that want to testify, but if there are any questions that any member of the committee desires to ask, of course, he must ask them.

Senator FRAZIER. I want to ask another question, Mr. Chairman. Mr. Lingham stated that if we could get a reduction of 10 cents a bushel on wheat it would probably open up foreign markets. How does your market compare with the Liverpool or so-called "world market" at the present time?

Mr. LINGHAM. I got this from official sources that, say, our Chicago market as compared with Liverpool, is about 10 to 12 cents higher.

Senator **Frazier**. So 10 cents a bushel freight would not make any difference at the present time?

Mr. **Lingham**. Of course, if you take off——

Senator **Frazier** (interposing). On the world market, if we are going to get export business, our market is 10 cents at least too high, compared with the Liverpool market; is that right?

Mr. **Lingham**. Yes.

Senator **Frazier**. Then if we get a 10-cent reduction in freight rates it would not make any difference at all on the present prices?

Mr. **Lingham**. I will correct that to say 10 to 12 cents a bushel, and I think without any question if we had a 10-cent reduction some of our export grades would go out for export. But again, I am not an exporter.

Senator **Frazier**. In other words, our price now is and has been for some months 10 or 12 cents above the Liverpool price, when the freight is considered?

Mr. **Lingham**. Yes.

Senator **Frazier**. That is what I have understood. In these figures that you gave in this letter that you sent to us, 59.6 per bushel or $3 a barrel on flour, is your price of bran and shorts figured in there? Is the mill feed figured out of that $3? Would there not be a reduction in the cent a pound you get for your bran and shorts?

Mr. **Lingham**. Well, we are assuming that under the tax we would not be able to get any more for bran and shorts——

Senator **Frazier** (interposing). Than you get at the present time?

Mr. **Lingham**. No; we get at the present time no part of the returns on feeds as a profit and no part of that tax could be added on the bran and shorts. The farmer would not buy it at a higher price, so it would have to go to flour.

Senator **Wheeler**. If you had to pay more for your flour and the price of farm commodities went up the farmer would be getting more and he could pay more for his bran and shorts, could he not?

Mr. **Lingham**. It would be competing with corn and oats, with which it does compete to some extent. They are not entirely competitors. But we do not believe it would put the price of bran and shorts up.

Senator **Frazier**. Of course, if the price of farm commodities went up generally, the price of oats and rye and other things would go up too.

Mr. **Lingham**. The prices that I gave in that letter, were official figures from a Washington office.

Senator **Murphy**. If corn went up, shorts would go up too, would they not?

Mr. **Lingham**. Yes; that would have an effect on feed.

The **Chairman**. Now, Mr. Lingham, have you finished what statement you wish to make?

Mr. **Lingham**. I have hardly begun, Senator Smith. If I could have a few minutes without interruption I would be pleased, or I will come back later.

The **Chairman**. You can have about 8 minutes if you want to make your statement, and if the committee wants to call you back after lunch they can do so. But we have quite a number that want to be heard, and I would suggest that if they are points which can be passed over, that the witness be allowed to make his statement continuously, so as to get the picture of it as put forward.

Mr. **Lingham**. I was starting to speak of the danger of the experiment. Under the proposed plan a flour buyer would have no reason for buying ahead because it would, under present conditions, really be a maximum price, so that the flour buyer would have no reason to buy. Then again, the miller on that basis would not be buying wheat, and we believe that when the run of the new crop comes on it might create a very serious congestion, the same as the cattlemen have talked of regarding their situation; that there will be thousands of cars of wheat on track for which there will be no place. Then we believe it will seriously reduce the future trading so it will be very difficult for mills to hedge. Of course, I do not think there would be any great fluctuation in the market, but today we as millers will buy wheat from a farmer any minute he brings it to us at the cash price, but I can see that a situation might develop where we would be afraid to buy, and that again would restrict the farmer's chance to sell.

Then, based on statements that have been made here, the so-called parity price would appear to be just a step toward what may be something much higher that might be wanted. I think Mr. Simpson suggested $1.25 or $1.50 as a fixed price. That would add on another $1.50 or $3 a barrel tax.

I have been interested for a long time to know why the 1908–14 period was chosen, and there is an article in the Harvard Magazine by Dr. John D. Black in which he says:

> The base period for these index numbers was 1910 to 1914, the very period which Dr. E. G. Nourse has referred to as "The golden age of American agriculture." Surely, in no 5-year period in statistically recorded history has the ratio of prices of farm and other products been so favorable to agriculture as it was at that time.

Now, we would like to have agriculture have the golden period, but we think that at the same time others should be considered.

Senator **Frazier**. Do you not think it was the golden period for the millers at the same time? During the same period of years did they not make more money by far than they are making today?

Mr. **Lingham**. Yes; all business was doing well, then, I think; all business.

Senator **Wheeler**. That was because of the fact that your farmers were prosperous and therefore the other industries were prosperous as well.

Mr. **Lingham**. Yes.

Senator **Wheeler**. It was not only a golden period for the farmers but it was, as a matter of fact, looked upon as the golden period for all manufacturers and business in general.

Mr. **Lingham**. I think it is now well understood by the committee—I doubt if it is by the public generally—that the proposed tax on commodities now in the bill, that is, in the House bill, would amount to about $11.77 per capita; on a family of five, $58.85. Of course, those figures cannot be considered exactly correct but they are based on the best available Government statistics by a first-class statistician, and that would amount to a tax on a family of $1 a week; or $1.17, to be exact.

Senator **Wheeler**. How much did you say it would amount to? $11.75? What is that for, a year?

Mr. **Lingham**. That is per year per capita.

Senator **Wheeler**. Then you think it would amount to $1.75 a week?

Mr. **Lingham**. No; what I said, Senator Wheeler, was that it would amount to $11.75 per year. I said it would amount to $58.85 per family of five per year, which would be a little over a dollar a week, which is quite a tax on a family getting today—the average unskilled labor getting less than $750 a year, less than $15 a week. Then that figure of income is based on the best available figures you can get, from the National Industrial Conference Board.

Senator **Wheeler**. The thing you overlook constantly is that if this condition of the farmers continues your unemployment is going to increase, your wages have got to come down, and will come down to the city employee.

Mr. **Lingham**. I agree with you, Senator Wheeler, that wages will have to come down, and especially those now getting wages that are out of line with other wages.

Senator **Wheeler**. If you bring wages down, you again deflate and cut down purchasing power of your people.

Mr. **Lingham**. There is no question about that.

Senator **Wheeler**. And then you have got your debt structure and fixed charges that must be paid, and you are just getting into a vicious circle.

Mr. **Lingham**. A man came to me on the street at home the other day. He had done some work tiling my bathroom some years ago—I think I paid him about $2 an hour—and he came to me and begged me for work in the mill, saying he would be glad to work for $10 a week. He has deflated certainly, and that is one reason, of course, why I think this proposed tax is very serious for a man in that position.

Senator **Murphy**. You have reduced salaries and wages?

Mr. **Lingham**. Yes, sir.

Senator **Murphy**. That inevitably reduced the consumptive power, did it not?

Mr. **Lingham**. Yes; of course.

Senator **Murphy**. That is what has happened then—reduction of the money is going to the farmer?

Senator **Wheeler**. Taxes have not come down any, have they?

Mr. **Lingham**. Yes; our taxes have come down somewhat in our section in the last year. We have an organization up there that has been working on that.

Senator **Wheeler**. Have electric light rates come down any?

Mr. **Lingham**. No; I think they are unchanged, although there is talk of reducing them.

Senator **Wheeler**. The price of aluminum has not come down any has it?

Mr. **Lingham**. Well, I do not buy any aluminum. There is just one other statement I would like to make. A statement was raised in my mind as to the number of processors and manufacturing concerns and dealers that would be necessary to license under this, or rather, that would be permissible to license. Here is a statement I would like to put in the record. It is too long to read but I think it might be of value or very considerable interest, and if the committee wishes I would be glad to have copies mimeographed, or made and sent to you, to go in the record.

Senator NORRIS. What is the statement? I do not mean to read it, but just give us an idea what it is.

Mr. LINGHAM. Well, just this first sentence will tell the sense of it:

> There are at least 110,000 processors and manufacturers who will be subject to license under the provisions of bill H.R. 3835.

Then it gives the title—

> In addition the bill would include a total of 62,500 wholesale establishments engaged in handling one or more of the nine basic agricultural commodities and competing commodities.

Then it goes on to say that if the retailers are included it might take in 911,000 additional licenses.

The CHAIRMAN. Have you copies of that printed so that you can give each member of the committee a copy? You might have it typewritten. Can you do that?

Mr. LINGHAM. I will be very glad to, Senator. I think we have sufficient copies. We had it run off on the mimeograph.

The CHAIRMAN. You can file that, then, with the stenographer.

Mr. LINGHAM. I do not know that there is anything further that I can add to my statement. Now, Senator Smith, I will be glad to answer any questions that I can.

The CHAIRMAN. It is now 1 o'clock. What is the pleasure of the committee?

Senator FRAZIER. Mr. Chairman, I have some figures here that I want to put into the record. I had a letter from a farmer in North Dakota a few days ago, in which he said that he was getting 30 cents a bushel for his wheat and paying $2.70 for a 98-pound sack of flour. I happened to be looking over some old papers last week and found a diary that my mother kept in the year 1898. Wheat at that time was selling at 46 cents a bushel; flour that we bought at that time cost us $1.90 for a 98-pound sack. We got 16 cents more for wheat when we paid $1.90 for a 98-pound sack of flour than we do today when flour is $2.70.

(Whereupon, at 1 o'clock p.m., recess was taken until 2 p.m. this day.)

AFTER RECESS

The hearing was resumed at 2 o'clock p.m., pursuant to recess.

The CHAIRMAN. The committee will come to order.

We finished with Mr. Lingham. For a few minutes we will hear from Mr. W. F. Jensen.

STATEMENT OF W. F. JENSEN, SECRETARY-MANAGER OF AMERICAN ASSOCIATION CREAMERY BUTTER MANUFACTURERS, CHICAGO, ILL.

The CHAIRMAN. Please state your name, address, and occupation.

Mr. JENSEN. W. F. Jensen, manager American Association Creamery Butter Manufacturers, 110 North Franklin Street, Chicago, Ill.

We have in our association approximately one half of the butter manufacturers in the United States and our membership is Nationwide. As to this proposed plan, in our business as it applies today to the dairy industry, there is no surplus, no exportable surplus, and so far as we know there is no market in any part of the world for butter from this country if you did have a surplus. We have succeeded in maintaining the consumer demand through these hard times we have had. In fact, some of our products, especially butter, have increased. In 1931 and 1932 we had the biggest per capita consumption that we have ever had at any time. In studying this proposed bill, we cannot see where acreage reduction or the taxable feature enters into our product. There is a clause in this bill, the agreement clause, that if we came under the bill at all (we are listed in the bill) and if anything was undertaken in connection with our commodity, it would be under that agreement part, under the possibility of making trade agreements. We don't know whether that would accomplish anything or not. We are not opposing the bill and we are not advocating the bill.

There is one clause in the bill that we would like to see changed. It is a very slight change, on page 10, section 10, subdivision b, line 10. Under that subsection b, the Secretary of Agriculture would have authority to appoint State and local committees to help along the proper functioning of the purpose of the bill. Then it provides that rental or benefit payments may be distributed by cooperative associations of producers. We feel that that privilege should also be granted to processors, and therefore if you will permit me, I will read this short section that we have prepared, the only change being two or three words.

We propose this substitute:

> The Secretary of Agriculture is authorized to establish for the more effective administration of the functions vested in him by this act, State and local committees and associations of producers, and to permit processors and cooperative associations of producers, when in his judgment they are qualified to do so, to act as agents of their members and patrons in connection with the distribution of rental or benefit payments.

We have two main reasons for asking this: First, there should be no discrimination at all in favor of one form of business in a measure of this kind, which is distinctly a marketing bill and for the purpose of helping all the farmers.

Senator FRAZIER. Do you have any cooperative creameries in your organization?

Mr. JENSEN. We have some, Senator Frazier. Not over 4 or 5 percent of our membership are cooperative, but 80 percent of all butter made in these United States is made in privately owned creameries. Now, our theory is this, if anything is done under this agreement clause, it would lead to the setting up of local and State committees, and when that is done, and if there is any distribution of rental or benefit payments, those committees would be the proper ones to do it. So the bill should not be limited to cooperatives only.

We merely suggest that. We think that part of the bill will be more practicable and it would certainly avoid in a case of that kind a lot of expense. If there are any rental or benefit payments, they would not necessarily have to pass through the United States Treasury. They could be collected and expended by these local and State committees.

The CHAIRMAN. That is the only criticism you have to make of the bill?

Mr. **Jensen**. That is all.

Senator **Frazier**. As I understand, your organization is making no fight against this bill, or particularly for it?

Mr. **Jensen**. Yes.

Senator **Frazier**. If the bill is put into operation, will your organization cooperate and try to make it a success, do you think?

Mr. **Jensen**. We will give it our wholehearted support.

Senator **Frazier**. That is the proper attitude.

The **Chairman**. Much obliged to you, Mr. Jensen,

STATEMENT OF J. E. McDONALD, COMMISSIONER OF AGRICULTURE OF THE STATE OF TEXAS, AUSTIN, TEX.

The **Chairman**. Mr. McDonald, please state your name, address, and occupation.

Mr. **McDonald**. J. E. McDonald, native Texan, farmer and commissioner of agriculture of the State of Texas, Austin, Tex. Mr. Chairman and gentlemen, in order to conserve your time, I have written out the remarks that I desire to make, and I will read them to you and then I will be glad to answer any questions that I may.

The **Chairman**. I think it will conserve time if we will allow those who can to read or give what they are prepared to give and then have the committee ask questions.

Mr. **McDonald**. Texas is the largest producer of agricultural crops and livestock and I am interested in the passage by Congress of H.R. 3835 in amended form. This measure is generally referred to as the farm bill. It is in fact an economy measure and with proper amendments its enactment would benefit industry, commerce, manufacture, and transportation even more than agriculture and would largely solve the unemployment problem. Agriculture being basic, the lifting of prices of agricultural crops to such levels as would give the producer full purchasing power is imperative, if industry is to be saved from further bankruptcy. The low prices paid for agricultural crops the past several years has been unjustified and has jeopardized the solvency of our financial institutions and has caused the morale of our people to languish.

If society decrees to give to the man who creates new wealth a mere pittance for his product, he in turn can put into the channels of trade a mere pittance. Purchasing power must be returned to the farmer. This can be done by the Congress enacting statutes which will guarantee the producer full prices for that proportion of his products needed for domestic consumption and without attempting to regulate production.

There are two methods which may be used to restore prices: One by requiring first the processor of certain agricultural products to pay into the United States Treasury a processing tax as provided for in the bill before the Congress, such tax to be paid on all of certain commodities processed for domestic consumption. The other method is by way of marketing control, such as provided for in the Clair plan, which plan is flexible and simple of operation and yet positive in obtaining desired results.

May I say there that for the last five months myself and the people that I go to to consult on agricultural matters in the State of Texas and many of the Southern States have agreed that this plan worked out by this economic expert is practical, workable and will get the job done, and I commend it to your serious consideration.

Senator POPE. That is the Clair plan?

Mr. McDONALD. Yes, sir. The first mentioned plan would tend to place agriculture on the basis of domestic production, whereas the latter plan would assure profitable prices for that portion going into domestic markets and at the same time permit us to retain and further develop our foreign markets at world prices. Cotton is and must remain king. Cotton has never failed to maintain trade balance and as commissioner of agriculture of the great State of of Texas, which has in a single year exported more than $2,000,000,000 worth of products to the world markets, I contend that it is economically unsound for us to contemplate a system of acreage control that would cause us to lose in this transitory period the markets of the world which our forebears struggled to build up.

Under the market-control plan no taxes would be needed, and the question of marginal lands resolves itself into men who cultivate low-production lands, growing for domestic consumption, while men who have heavy-production land and low-cost land could produce for both domestic and foreign markets. The potent reason for the drastic decline in land values and consequent foreign foreclosures is due to the fact that no investment is worth more than its productive value. See that the farmer is paid full price for that portion of his product needed for domestic consumption and there will be an enhancement in land values and refinancing can be had in open-money markets without further aid or subsidy from the Government, and the agricultural problem will be solved effectively.

The advisability of Government classification of farm lands and the payment of rental on acreage taken out of production is controversial. Prices should not be based on pre-war levels but should be based on current prices of industrial products and with due consideration being given price levels obtaining when the farmers' outstanding obligations were incurred. The act should make it mandatory on the President and Secretary of Agriculture to immediately employ such means as are necessary to guarantee full and equitable prices for nonperishable products, such as wheat, cotton, corn, rice, oats, barley, wool, tobacco, and to include such other agricultural products when it is evident that the producers so desire to have their product so included, and further provide equitable means of proration of products and equitable distribution of benefits of domestic markets. The present supply of wheat, cotton, wool, and rice should be proclaimed, prorated, and designated, and such prorated portions marked for domestic consumption and for foreign consumption. It should thereafter be unlawful to sell or offer for sale any wheat, cotton, wool, or rice at a price below the minimum price established by the properly constituted authorities.

The cost of raw materials going into most commodities is so immaterial that prices may be advanced in some instances 300 percent without necessarily advancing prices to consumers. Prices of $1.50 per bushel for wheat, 20 cents per pound for cotton and 40 cents per pound for wool would not place a burden on consumer or curtail consumption of these products of agriculture, but the realization of such prices would put fires under the boilers of every essential factory in America. It would take the factory employees who are now in bread lines out of the bread lines and put dinner pails in their hands and fill this Nation of ours with confidence, prosperity and happiness.

Records disclose the fact that America has never in any one year exported any more than 15 percent of her total products, therefore, we are not so dependent on foreign trade and we should realize that the latent buying affords fertile fields for commerce and transportation. I am most happy to observe the splendid thought that this committee is directing to our great agricultural problem and I am glad to be able to tell you that my people in Texas appreciate your work in their behalf.

I realize fully that every line of endeavor is passing through a period of transition and the Congress cannot foresee and prescribe in detail the essentials necessary for agricultural restoration, and it is my thought that this act should be passed in such form as will give the President, the Secretary of Agriculture, the Farm Board (if it is to be maintained) broad powers and flexible enough to enable them to use such means as will accomplish the purposes of this act.

I think that commodity prices should be raised to a parity with the gold dollar. It is price and not theory that we need today. High prices will benefit every essential industry and every laborer in America. Farmers have been patient and are looking for this Congress to not administer a palliative but to perform a major operation, and I know you won't disappoint the farmers of America.

The CHAIRMAN. Mr. McDonald, you are advocating the Clair plan?

Mr. McDONALD. I am advocating proration of production and the fixing of a minimum price. Such a plan is outlined in the Clair plan.

Senator FRAZIER. What do you base your price on?

The CHAIRMAN. As Mr. Clair is here and these two seem to have gotten together, I think we could conserve time by calling Mr. Clair and letting him explain his plan. If that is agreeable to you, we will have Mr. Clair take the witness stand.

STATEMENT OF FRANCIS J. CLAIR, PRESIDENT OF THE NATIONAL LEAGUE FOR ECONOMIC STABILIZATION, CHICAGO, ILL.

The CHAIRMAN. Mr. Clair, please state your name and address and occupation.

Mr. CLAIR. Francis J. Clair; engineer; president of the National League for Economic Stabilization, Merchandise Mart, Chicago.

The CHAIRMAN. Now, Mr. Clair, you may proceed in your own way to discuss this bill or your plan as a substitute for the bill, or your plan as a plan to relieve the situation.

Mr. CLAIR. Mr. Chairman, let me say that the National League for Economic Stabilization is a group of manufacturers, merchants and business men organized in the city of Chicago who today realize that there can be no restoration of their business to a normal prosperity until the 53,000,000 people engaged in agriculture and its allied industries are paid a decent price for farm products. They are very selfishly actuated and conscious of the fact that the Nation today is economically divided into two great groups, first, we of the industrial East who mine and mill and manufacture dispensable products, and secondly, they of the agricultural West and South, who produce indispensable fat, food, and fiber. We feel that the greatest market on the face of the earth is open for the American manufacturers, that market being constituted of the 30,000,000 people on the farms and their 21,000,000 people dependent upon them.

We feel that the bill now before your committee is something calculated in honesty and decency to restore the purchasing power of these American farmers, but addressing myself to the title of the bill, an act to relieve the existing national economic emergency by increasing agricultural purchasing power, I would submit to you, sir, that it is not a farm bill, that it is a great national economic problem that is before this committee today.

Along that line, let me say that in section 1 of the bill, so far as the cotton control is concerned, the National League accepts that as a temporary solution of the cotton problem. Passing on to the leasing of lands, we don't feel that the leasing of any land in the United States by the Department of Agriculture is going to obtain the results desired, to wit, raising the price of agricultural products to a level needful and necessary to restore purchasing power.

I submit to you further, sir, that when my government goes into any rural section today and undertakes to lease any particular piece of land and stigmatizes that as being a marginal farm or marginal acreage, that you are immediately and permanently going to reflect on the value of that land for all times to come, and if that were adopted as a national policy, I fear, sir, that you are going to depress agriculture in its land values even below the levels which we find them today.

With reference to a processing tax, I don't believe that that is needful or necessary to accomplish the result that this committee has before it, to wit, to raise the purchasing power of the farmer. With reference to raising that power to a parity of the period obtaining from 1909 to 1914, we don't believe that that parity would return such purchasing power as would enable the American farmers to so enter our domestic markets as to take the unemployed and idle people off our streets. That is based on this premise, that in 1909 we enjoyed great foreign markets which purchased our surplus agricultural commodities of those days and that purchase of agricultural commodities tended to raise the domestic price. Today we are without foreign markets for our commodities and under this parity plan, we would not get the benefit of the foreign markets obtained in the period designated in the bill.

Secondly, in the period from 1909 to 1914 our railroad rates were approximately 55 percent lower than they are today, so that parity of 1909 would not compensate the farmer for the increase in freight rates. I would again submit to you, sir, that in the period prior to 1914, we did not have the great automobile industry in America that we have today. The radio was unknown in that day. Motion pictures and sound pictures were unknown in that day.

We didn't have the great transcontinental telephone system then as now, and if we are to restore the motor industry in Detroit, if we are to make it possible for a farmer to buy a new radio tube or a new battery, in fixing the parity of prices today you will have to base it on a gold-dollar basis made use of in industry. Therefore, I submit to you that what should be done with reference to parity would be to take the index value on approximately 1,500 articles of manufacture made in this country on today's standard, take the index value of that dollar, and bring the price of the indispensable nonperishable basic agricultural products to that level.

Taking such an index value of the dollar today, we are urging that this Government should proceed at once to stabilize a price on all the cotton, wool and flax, wheat, corn, rice, oats, barley, buckwheat and hay, all of that one particular economic classification of basic agricultural products and place that price upon such an amount of those products as are needful and necessary to United States consumption, without regard to what surpluses a farmer might produce. I am urging that the American farmer should be permitted to go out and plant wheat on the roof of his barn, in his tool shed, on his fence posts, if he can grow it there. That is his business. Let us not so interfere with it. But I would urge upon you gentlemen the consideration of the fact that we should place upon his wheat and that portion of it which we consume in the United States a decent stabilized minimum price, based upon American production costs, American land values, American rates of interest, American rates of soil depletion and depreciation on his livestock and on his machinery and do for him what we have done for the other basic industries of the Nation.

I submit, sir, that we have protected our labor in the Eastern market by the enactment of immigration laws which actually forbid a foreigner from coming here and working in competition with his own blood brother against an American bench. We have recognized it with the 8-hour day law, we have established maximum hours of labor and minimum wages for many of our workers. In behalf of our banking interests we have stabilized a price on gold, we have fixed express and railroad rates, the stability of the telephone and telegraph industries are predicated on law. I submit to you gentlemen that we should now proceed to place the industry of agriculture upon the plane with the other economic and basic industries of the Nation by saying that the American farmer shall also be paid by law a certain stabilized price for that proportion of his crop that we need.

One cannot proceed on such a thought without exercising some control over the market. I submit, gentlemen, it is impossible to control acreage or control production by acreage control. If in accordance with this bill the Secretary of Agriculture went out and leased 20 percent of any one farm that I might want to apply my labor to, I guarantee you that I could go back on the remaining 80 percent and make as much production in any of the basic crops as I had done on the 100 percent before.

There is, however, a way of controlling that, and that is through market control. I would suggest that it can be done in this wise. If the wheat farmer or the cotton planter is today producing wheat or cotton, I would say let him go on and plant as much as he chose. Let our Department of Agriculture forecast the crop for next year; let the Department of Agriculture under a bill or stabilizing law set a minimum price to grade and staple on the various products. Talking about wheat, I am urging that we stabilize wheat at $1.25 a bushel on that portion for domestic consumption. If we raise 700,000,000 bushels of wheat and we consume domestically 600,000,000 bushels of wheat, let the Department of Agriculture broadcast to every farmer in the United States that he may this year ship that portion of his personal production that American consumption bears to national production, and if the Nation is consuming six sevenths of its wheat, let each wheat producer in the Nation ship six sevenths of his wheat through the ordinary channels of trade. I submit, sir, we should take the Government out of the business of buying cotton, wool, goose feathers, and grapes. Restore that business to the live-stock exchanges, back to the cotton exchanges, back to the boards of trade, and to the farm cooperatives. Let each man ship at law six sevenths of his personal production at the stabilized price. The other one seventh he will be obliged to keep on his own farm in his own bins unless—and I say unless advisedly—unless through the ordinary channels of commerce he can find foreign markets without this country, in which event he will be permitted to ship that extra one seventh provided it is evident on the shipping papers that it is for export consumption. Let the man who creates a surplus and who stands to make a profit, if he can find a market for it, remain the punitive creator of that surplus, and be compelled to keep it on his own farm if he can't find a market and thereby take away from the market the distress that that surplus wheat causes.

Under that plan this would be the result, as I see it: There are certain so-called marginal lands or high productive cost areas in the country where it costs 12, 15, or 17 cents to make a pound of cotton. There are other areas where cotton possibly can be made at from 8 to 10 cents a pound. Let the cotton planters go our and plant what cotton they will. Let the Department of Agriculture prorate that crop to each individual producer. If a man at the end of a crop year makes a hundred bales of cotton and he finds a domestic market for 60 bales of it, he would sell the 60 bales at the stabilized price. The 40 bales would be his personal surplus production, which he would be compelled to keep on his own property unless he could find foreign markets. If conditions continued and we found no further foreign market for our cotton, the man the next year would simply go in and declare that he was going to cut his personal production of cotton to 60 bales. In other words, that individual chooses to make cotton for domestic purposes only, and in succeeding years he turns the surplus in. If there is a low-cost production area, such as west Texas, and he wants to raise cotton for export or surplus purposes, let him go ahead and raise it. If he sells the cotton at 5 cents a pound abroad, he will bring that much money to our country.

We feel, Mr. Chairman, it is not quite as much a question of free trade and high tariff that is affecting agricultrual prices today as it is fair trade in our own country. When I say fair trade, I mean fair trade between this industrial East country and that great agricultural West and South country. In our East country today our workmen are being paid high rates of wages for every productive hour of labor that they spend. In the great motor industry in Detroit, Mr. Ford today is paying the minimum of $5.80 per day for wages for all productive labor expended in building an automobile, and I say that we can't hope to restore the automotive industry of Detroit as long as the American farmer in the cotton patch or the wheat field is compelled to work at wages of less than $2 a day. For 40 years they have been out there making the fat, food, and fiber needful and necessary to our lives at an average of $2 a day wages. They have made their wheat, cotton, rye, oats, barley, buckwheat, and hay on that basis, they have sold it on that basis, and they took the proceeds of their labor on such basis, and when they got it they turned around and bought window glass made in Pittsburgh by a ten-dollar-a-day worker who received that for 8 hours of work. They have bought their hats from Danbury, Conn., and their alarm clocks out of Ansonia. Every dollar of property sold to them was made at the high eastern scale. I am not urging that the eastern standard should be cut. God forbid that there should be any further wage cutting in the Nation. We need high wages in order to maintain the high ideals and plane of living. When wages come down, the rents must come down. When rents come down, mortgages become endangered. When mortgages are in danger, banks fail and insurance companies go. We have either got to go through this period of depression and bankrupt every institution in the East down to the bankrupt condition of the western and southern farmer or else we are going to put out a helping hand and help him up to our level.

I am urging that we should proceed at once to stabilize wheat at a dollar and a quarter a bushel, cotton at 18 cents a pound, wool at 32 cents a pound, corn at 87 cents a bushel, oats at 42 cents a bushel, and other farm prices proportionately thereto on such amounts as are needful and necessary to domestic consumption, hoping that in so doing we are going to restore not eight hundred million but five thousand million dollars at once to the purchasing power of 53,000,000 American citizens engaged in agricultural industries. I submit, sir, that in doing that you will not raise the cost perceptibly on any article in American life today.

I have followed the proceedings of your committee with a great deal of interest and heard it recited about the increased cost that might accrue if this so-called tax was levied against bread. Let me say that I had the pleasure of being in the little town of Lamar, Iowa, which I believe is in Senator Murphy's county, several weeks ago and I saw a wagonload of corn sell at 4 cents a bushel at the elevator. Later I sat in a modest restaurant in that town and bought a package of Post Toasties that cost me 10 cents for half an ounce. That makes 20 cents an ounce, or $3.20 a pound or $192 a bushel that I paid for Iowa corn myself when I ate it in the city of Lamar. I was here in Washington, D. C., yesterday and bought a package of wheat, one half ounce of Puffed Wheat, which cost me 10 cents in a popular restaurant. That is something like $300 for a bushel for wheat. Uneeda Biscuit, Mr. Chairman, was selling for 5 cents a package when wheat was $3.65 a bushel and they are 5 cents today when the Kansas farmer is swapping a bushel for a package of eastern cigarettes. There is so little raw material that enters into the finished product that the dollar value is almost negligible.

Speaking of bakeries, Mr. Brice Smith, of Kansas City, prominent in the baking industry, told me that there was so little wheat in a loaf of bread that it was almost negligible and he didn't figure it as entering into the price factor. I was in Chicago at a bakers' convention 6 weeks ago and there I saw a new device offered to the bakers to slice bread before it was furnished to the housewife; and after some 2 hours spent with the manufacturer of that machine, I was able to calculate that this one little new device, a machine to cut bread, cost more per loaf to slice it than the farmer got for the raw material entering the bread stuff. What is true of the Uneeda Biscuit is true of a suit of clothes. I submit, sir, there here is a suit of clothes that cost me $55. I am not gainsaying the fact that it contains $15 or

$18 worth of cloth. That cloth is a manufactured article. If you take the cloth off my back and weigh it on a scale at the price prevailing for wool today, you will see that the farmer did not receive 55 cents out of the $55 that I paid for the suit. So I urge you that when you begin to stabilize the prices of raw materials that you are not going to perceptibly increase the price of the finished product. What is true of the wool is true of the Post Toasties and is true of the Puffed Wheat and is true of everything in life as to raw materials.

In conclusion, let me say that I submit this plan as one that is at once going to restore not only $5,000,000,000 to the purchasing power of our farmers but it is going to immediately stop the foreclosure on our farms. Our American farm lands are worth only as much as they will produce; and when we in the cities recognize our debt to the American farmer and pay him a decent price for his products, it is going to stabilize the price on land values throughout the country. Not alone that, but it is a commonly known truth that security values have always followed commodity prices; and that when wheat goes up a couple of cents a bushel, stocks go up. When corn and hogs drop, stocks drop.

I ask you to visualize with me what will happen to the shares on the big board in Wall Street the day the Government stabilizes the price on basic agricultural products and places $1.25 on wheat and 18 cents on cotton. So I submit that that day billions of dollars will be added to their value, that United States Steel with its potential market opened up will rise to $100 a share, that the A. T. & T. will return to normal and the assets of the Nation will again become liquid. I submit there is nothing intrinsically wrong with this country today except one pregnant fact, and that is this: In the year 1929 the new wealth of the Nation which was represented by the agricultural crop of that particular year came into the market, and in 1929 society put a value on that crop of $12,800,000,000. Society in general said our new wealth that year with which to work was $12,800,000,000. When a farmer put a thousand bushels of wheat in a freight car, he had a bill of lading for it. When a cotton planter put 10 bales in the warehouse, he got a warehouse receipt. The total of the warehouse receipts for commodities that year was $12,800,000,000. This year the same crop of hogs and of cotton and of wheat and of milk and of all the agricultural crops came in and society this year for some reason says it is worth only $5,200,000,000. To what end? This year when the bills of lading are signed, you can't borrow $1,000,000,000 at the bank. I submit to you, sir, that the day you stabilize these agricultural commodity prices in accordance with the technique worked out in that plan that the farmer will be able to take that bill of lading or warehouse receipt and go in any bank in the United States and borrow money on it. Why? Because this Government will have stabilized at law the agricultural commodities of this Nation which are indispensable to human life and will have stabilized only that portion of those indispensables which are going to be consumed in the next 12 months, and he will be able to borrow immediately. To what end? Somebody asked in the committee what portion of this money would be used to pay off mortgages. I submit, Mr. Chairman, that when these values are accomplished and this stabilization effected that the insurance companies will be going back to the farmers happily to renew their mortgages. They won't want to get out from under then, once agriculture has been stabilized.

And to what end? To this end, Mr. Chairman, that we in the East country today are absolutely working on a dollar basis and a gold basis at that but our agricultural products are being sold in the world market off the gold basis. We will either have to thin out our money, we will either have to go to revaluing gold and breaking down our gold standard or else bring up our commodity levels commensurate with that gold standard today. We should do that, and we should do it annually. To what end? That if next year the prices spread, if we have created parity today and next year a manure spreader or farm wagon goes up, then agricultural prices should come up. If automobiles or manufactured goods come down, let's bring down commodity prices commensurate with next year's index value of the eastern commodity dollar, but keep that in parity and keep it annually. Don't let our agricultural products be up here and our industrial products down there. Don't let our agricultural products be down here and our industrial products up there. Keep parity between them. I am confident that once that is obtained, these 53,000,000 farmers stand ready and willing to buy prosperity back to every factory and mill and mine in this country.

I urge this upon you, sir, that it will have been the first time in the history of this Nation that parity has been established between the great industrial East and the agricultural South and West. I find in the South there are millions of homes which on today's replacement value are not worth $165 apiece, those little cotton cabins in the cotton patches. Those people want bath tubs, electric lights, radios, portieres, and Grand Rapids furniture. See that they are paid a decent price for that portion of their cotton we consume in these United States and we haven't enough mines and mills and factories in this land to supply their needs and wants for the next 10 years.

Senator CAPPER. Mr. Clair, how does your plan differ from the one proposed by Mr. Simpson?

Mr. CLAIR. The technique of the Clair plan has been worked out to the last detail. I insist, Senator, that it will be needful and necessary to segregate that portion of our crop which is surplus, to this end: First, we cannot mix them together and establish one price in common. It is perfectly legal and right as a domestic problem for us in the United States to fix a price on that portion of our crop which is consumed in the Nation. I understand it would be a matter of international discussion if we endeavored to subsidize that portion which we have for export. You cannot say to the farmer we are going to pay you a dollar and a quarter for all the wheat you are going to raise, or he will go out and raise it all over the world. You can pay him a dollar and a quarter for that portion of his wheat which is going to be consumed domestically and make him who creates a surplus remain the punitive creator of it. If a man finds himself with a surplus of 500 bushels at the end of the year, he will cut it down for the following year.

Senator CAPPER. You agree with Mr. Simpson that the Congress can, by act of Congress, arbitrarily fix a price on these commodities?

Mr. CLAIR. I would like to say with reference to that that there is a group of lawyers that insist that you have that power.

Senator **Norris**. My attention was called at a vital point. Please go over that again. Please tell me briefly why you think that the farmer must retain this export part of his product on the farm. Why cannot he go to the elevator and sell all his wheat at once and then have the elevator man and those who deal in the product segregate it?

Mr. **Clair**. For this reason, Senator, if you do not put that measure of restraint upon the farmers, they will go out and instead of raising 700,000,000 bushels that we need, they will make a bumper crop of a billion bushels or so. To what end? The following year you will have that visible supply and surplus on hand.

Senator **Norris**. As I understand, those who advocate that plan expect that to be shipped and exported as it is now and sold on the export market?

Mr. **Clair**. There is a question, Senator, of whether we will have an export market for wheat.

Senator **Norris**. I think the time will come when we won't have it, but we do have it now and probably will have it for some time. How would you ascertain that no advantage was taken by the producer, let us say of wheat, to illustrate?

Mr. **Clair**. You heard the Secretary the other day refer to some method or manner of cards that were suggested. The simplicity of the plan is apparent. When a farmer has his crop made he walks into a post office. You find the authority for going in the post office under your Agricultural Marketing Act. He declares, "My name is John Jones; I have sown 60 acres to wheat; I have made 16 bushels to the acre; I have 960 bushels of wheat on hand". He makes an affidavit to that and there is a penalty attached in case he makes a false oath. The postmaster has received the broadcast from the Department of Agriculture. He has the form. The form specifies what the percentage will be and what the price is. The postmaster merely fills in that John Jones may this year ship 800 bushels of that wheat at $1.25 and puts his seal on it.

Senator **Norris**. It seems to me the difficulty would be in your plan over the Simpson plan that you would have to follow that wheat that the farmer did not sell. He would keep it on his farm?

Mr. **Clair**. Yes, sir.

Senator **Norris**. He would have a right to export it, I suppose?

Mr. **Clair**. Yes, sir; that is right.

Senator **Norris**. But one farmer could not export his little bit of wheat. He would have to sell it to some other man who would export it?

Mr. **Clair**. That is right.

Senator **Norris**. Why not let him bring it in at the time he brings in the other wheat and let the fellow who buys it pay whatever price is agreed upon between him and the farmer and let him ship it in export?

Mr. **Clair**. I think you would find the same problem that came up with reference to the Farm Board. If the Farm Board had not accumulated all that pile of wheat visible and hung it up over the Board, we might not have had the disaster we had.

Senator **Norris**. Perhaps not. It seems to me that it would take an army of people to see that the millions of farmers with the export part of their wheat kept it and that they didn't in one way or the other get it into the market.

Mr. CLAIR. I submit, Senator, that the technique has been worked out, it has been checked by agricultural experts who say a farmer couldn't pass a pig through a fence under these regulations. It consists of three slips, Senator. The first is his declaration, which is the same as he makes in an income tax return. It is incumbent upon him to get the form and fill it out. The postmaster recites thereon what proportion he may ship. The next is a blue tag, certifying the amount he may ship for domestic consumption. When he makes a sale he asks the R.F.D. carrier or postmaster, "I am selling 200 bushels of my wheat." The postmaster has nothing to do but enter the mechanical record. When he sells the 800 bushels, that slip disappears. This post-office record is a matter of public record. I had occasion to go down to Senator Capper's home county in Garnet, Kans., and 10,000 farmers certified to the fact that they themselves will look after this. If a farmer went in and certified he made 20 bushels of wheat on an acre of land, the neighbor on the north or south will know. It is a matter of public record so every farmer in the community will know whether that man stated the fact or not.

Senator NORRIS. Do you suppose those other farmers would tell on him?

Mr. CLAIR. Yes, sir.

Senator NORRIS. Wouldn't they feel, "If I let him get a little extra, then I may get a little extra myself"?

Mr. CLAIR. That would involve a 3-point conspiracy between the postmaster, the rural delivery carrier, and the farmer.

Senator NORRIS. I can't see why you wouldn't avoid all that regulation and all the necessity of looking after every individual farmer by letting him bring in anything he produced and let him sell it all and the proper proportion of it would have to be sold at the fixed price.

Mr. CLAIR. The following year, Senator, he would go out and plant more and increase his acreage.

Senator NORRIS. Isn't he going to do that anyway?

Mr. CLAIR. No, sir.

Senator NORRIS. This wheat that he keeps and doesn't sell he is going to find some way to export. A thousand farmers in a community would sell all their export wheat to one man and he would export it for them. He would get on the export market anyway and I don't want to keep him off of it. If the one scheme is going to tend to increase production, it seems to me the other would have the same effect. I don't see any difference on that score.

Mr. CLAIR. It does in that it makes the man creating the surplus the punitive creator of it. The next year he will go in and declare he is going to raise 200 less.

Senator NORRIS. He is going to sell that 200 extra bushels. He is going to get it into the export market. In fact, I wouldn't pass any law or regulation to prevent him from doing it. He is going to have this export wheat and he is going to export it anyway. If the machinery of the whole scheme tends to increase production, it will increase it in either case.

Mr. CLAIR. There is nothing in the Clair plan that precludes him from selling that wheat.

Senator NORRIS. No; but you have a lot of machinery about looking at it.

Mr. CLAIR. There is a third card; the red card. It is on that red card that the surplus wheat travels. When any surplus wheat travels off that man's farm, the red card accompanies it. We have 25,736 employees in our present Department of Agriculture. The plan can be put into effect, I believe, without adding a single individual to the pay roll of the United States Government. Two weeks after this thing is proclaimed, you gentlemen can have that form in the hands of every postmaster in the United States for the farmer to go in and take the benefit and advantage of.

Senator THOMAS of Oklahoma. Considering this whole plan from the standpoint of the farmer, do you agree at the present time the dollar has too high a buying power, it buys too much wheat, cotton, livestock?

Mr. CLAIR. I admit it has the highest purchasing power we have ever had in the Nation. It is the same dollar we had in 1929.

Senator THOMAS of Oklahoma. The same dollar we had in 1920, too. It is on the gold standard. Do you agree that cheapening the dollar in buying power would help the farmer?

Mr. CLAIR. There is no question but if you made money cheap, you will raise commodity prices, but I will submit, Senator, that the average farm dollar makes seven turns before it is definitely turned back into permanent improvement. If you cheapen the dollar, you will affect six-sevenths of our economic standard in order to benefit the other seventh. It will take more dollars for clothes, for the theater, for the church, whereas if you affect the commodity price, you are going to affect only one-seventh of our standard to benefit society.

Senator THOMAS of Oklahoma. Do you agree that the dollar could be cheapened?

Mr. CLAIR. It could be, whether it will be sound to do it, Senator, I don't know. I don't think so.

Senator THOMAS of Oklahoma. You don't think it would be sound to cheapen the dollar?

Mr. CLAIR. No.

Senator THOMAS of Oklahoma. We have had an unsound dollar from 1920 to today?

Mr. CLAIR. I don't think the dollar is unsound.

Senator THOMAS of Oklahoma. It hasn't been the same value two days since 1920?

Mr. CLAIR. Value is a comparative thing. Our agricultural commodities are too low.

Senator THOMAS of Oklahoma. That is because the dollar is too high?

Mr. CLAIR. No; I don't think so. I think it is because we have protected the dispensable products of life artificially. I say we will have to break down the barrier, take away your Interstate Commerce Commission——

Senator THOMAS of Oklahoma [interposing]. How do you account for the proposition that is self-evident, that during the past year we have passed several bills that had the prospect of what is sometimes called inflation and expansion of currency—it happened in the moratorium, it happened in the Glass-Steagall bill, in the home-loan bank amendment, and in the passage of the money bill the other day—every time we pass a law that has the promise of the expansion of currency, the same day or the next day commodity prices have a substantial rise?

Mr. **Clair**. That is so.

Senator **Thomas** of Oklahoma. If Congress will provide some scheme that not only promises expansion but will carry it through, wouldn't that bring about an increase in commodity prices?

Mr. **Clair**. Yes, but——

Senator **Thomas** of Oklahoma [interposing]. That cheaper dollar will pay a dollar of interest?

Mr. **Clair**. Yes, sir.

Senator **Thomas** of Oklahoma. It will pay a dollar of everything that he has to buy; he is not buying radios and theater tickets and things of that kind.

Mr. **Clair**. We have got to get him back to buying them. I will grant you, Senator, that a cheap dollar will enable a farmer to pay his interest and his mortgage off and his taxes and his fixed charges, but it will affect the other six-sevenths.

Senator **Thomas** of Oklahoma. Don't you agree that the first thing that should be done is for the Government to decide how valuable our dollars should be to serve the bests interests of the farmer, the laboring man, the banker, and everybody, and then, if and when it decides what that dollar should be in buying power, then drive the dollar to that point and keep it there?

Mr. **Clair**. I do not agree, sir. I respectfully disagree. I submit this thought, that we have a fixed value in the dollar now.

Senator **Thomas** of Oklahoma. Measured by what?

Mr. **Clair**. By the same standard we had when we knew our Nation to be normally prosperous.

Senator **Thomas** of Oklahoma. Just measured on so many grains of gold, and that is all.

Mr. **Clair**. I will grant that. But so far as the standard itself is concerned, we don't have to have tons of gold to measure it as long as we keep one piece to measure it. It is the intrinsic value. I do submit this; if you get our agricultural commodities back to normal, that the tax problem will take care of itself.

Senator **Thomas** of Oklahoma. How do you get them back to normal value, if the prices change every day? Suppose you were buying cloth, and I was selling cloth, and you had a yardstick that everybody bought by, 36 inches today, and tomorrow it would be 42 inches, wouldn't you have the advantage in buying cloth from me when you had the power to change that yardstick and make it longer or make it shorter as you saw fit?

Mr. **Clair**. I will grant you that.

Senator **Thomas** of Oklahoma. That is the exact condition we have today with the dollar.

Mr. **Clair**. I wouldn't say so.

Senator **Thomas** of Oklahoma. Based on the Commodity Index the dollar today is worth almost three times what it was in 1920.

Mr. **Clair**. I will grant that, as compared with the Commodity Index.

Senator **Thomas** of Oklahoma. That means the yardstick today would be three times 36 inches, as we have it now. Down in the Bureau of Standards they have a piece of metal that is supposed to be the most nonsusceptible to heat. That piece of metal is 36 inches long. It is kept in a room where the temperature never varies; it is kept in containers, and nobody ever touches it. That is how carefully the Government guards that yardstick. That yardstick, of course, measures cloth and things of that character. When it comes to the dollar that measures the things people work for and produce, it is within the control of a few bankers, and they can make it worth 3 times as much, or can make it worth one third as much at will. It is my contention that until the Government decides the point at which they want to put the dollar in buying power, and keep it there—Great Britain is doing it. They stabilize their pound around $3.40. It fluctuates a few cents one way or the other, but they have the power to keep that pound at a buying power of approximately $3.40. They could have put it at $2.50, $2, or $10, just as they saw proper. We have the same power here, but the Government does not have the control of the fixing of the buying power of the dollar today. It is done by a few folks who profit by it, as they see fit, from day to day. That is my conception of it.

Mr. Clair. We have a fixed value now.

Senator Bulow. Do you think your plan would apply to the present cotton situation.

Mr. Clair. Yes, sir.

Senator Bulow. Now, let us say the consumption of American cotton is between eleven and twelve million bales, the world consumption. We raise normally about 14,000,000 bales. At this time we have a carry-over of American cotton of 13,000,000 bales. Nine and one-half million bales are in the United States. We consume in the United States, or did consume in the United States last year 5,000,000 bales. We have got 9,000,000 bales in the cotton mill warehouses and other warehouses in this country, or off the farms. How is the farmer going to sell any cotton next year under your plan when there is a two years' supply in the mills in this country, now in this country, off the farms.

Mr. Clair. The plan provides that each holder of cotton shall come in and declare his particular holdings. We have the cotton cooperatives possessed of several million bales, and the plan provides that they shall sell that cotton at the stabilized price.

Senator Bulow. How is he going to do it when they have already got two years' supply in this country without paying the additional price for it?

Mr. Clair. It is now in the hands of the cooperatives.

Senator Bulow. No sir; that is where you are mistaken.

Mr. Clair. A million and a half bales.

Senator Bulow. A million and a half bales don't mean much, but it is in this country, and they can't sell it. There is practically two years American consumption now in the warehouses. It will take two years under your plan before the farmer would find a market for any of his cotton at that increased price.

Mr. Clair. No, sir.

Senator Bulow. How could he sell any until the present supply was completely exhausted?

Mr. Clair. By having the present holder of that cotton come in and declare their present holdings and pro rate them with the farmers.

Senator Bulow. Give them the benefit of the price?

Mr. Clair. Yes, sir.

Senator Bulow. For that cotton already produced and off the farm?

Mr. Clair. Yes, sir; give them the benefit of that price. Give them the money, and this Congress will take it away from them in income taxes.

Senator Bulow. How would you divide it?

Mr. Clair. By the expedient of providing when this new crop comes in we are going to base our new consumption on the new crop.

Senator Bulow. That is 5,000,000 bales the farmers will have, and assuming it will run 14,000,000 bales more, and with 9,000,000 bales already, it would make 23,000,000 bales. All right, with a consumption demand in this country of 5,000,000 out of 23,000,000 bales that will be here.

Mr. Clair. On the 5,000,000 bales that will be consumed they will receive the 18-cent price.

Senator Bulow. Who will?

Mr. Clair. The producers thereof.

Senator Bulow. They won't receive it unless somebody buys it.

Mr. Clair. The American producers will buy the 5,000,000 bales.

Senator Bulow. You mean the producers will buy it themselves?

Mr. Clair. The consumers, rather.

Senator Bulow. Why will they, when they have already got it at the present prices?

Mr. Clair. It is not in the hands of the mills, I understand.

Senator Bulow. It is in the hands of the cotton processors or somebody else.

Mr. Clair. That will be stabilized under this plan.

Senator Bulow. Who will do it?

Mr. Clair. The mills will buy it.

Senator Bulow. You can't stabilize but 5,000,000 bales a year. If you divide the profits between the farmers and the cotton traders who now own the cotton, you reduce the amount going to the American farmer. If you give them half and half then you wont get the increase on but two and a half million out of the 18,000,000.

Mr. Clair. That would be 18 cents in this coming year.

Senator Bulow. Would you just cut him down until you get rid of this present surplus?

Mr. Clair. That is right.

Senator Bulow. And without reducing the production, instead of getting rid of it, you would constantly incur, as has been done in the last four or five years, a carry-over?

Mr. Clair. Not under the plan. A man who plants and does not sell his surplus cotton will have it next year upon his hands. Therefore he will curtail.

Senator Bulow. As I get your idea, you divide half and half between the farmer next year. You give him two and a half million bales and you give the cotton traders and the stockholders that now own the cotton, an increased price on two and a half million bales now in the warehouse.

Mr. Clair. Yes, sir.

Senator Bulow. Then the cotton farmer would get about one fifth or one sixth of cotton at an increased price, on his crop?

Mr. Clair. He would get 18 cents.

Senator Bulow. On about one fifth or one sixth of his production?

Mr. Clair. Nearer one third.

Senator Bulow. Two and one half million bales out of fourteen million.

Mr. Clair. Yes; but you would not dump the whole 14,000,000 in the market in one year.

Senator Bulow. That is the normal production.

Mr. Clair. The plan provides that 3 percent of the final holdings will be sold—not more than 3 percent of the final holdings will be sold in any one calendar month.

Senator Bulow. Whose holdings?

Mr. Clair. The cooperatives' holdings.

Senator Bulow. Would they have an advantage over the farmers next year in the sale of theirs?

Mr. Clair. Three percent at the stabilized price; yes, sir.

Senator Bulow. To that extent you would reduce the quantity of the cotton that the farmers produce that could be sold under the increased price?

Mr. Clair. In order to get this surplus out of the market.

Senator Bulow. You would never get it out, would you?

Mr. Clair. Yes.

Senator Bulow. How?

Mr. Clair. By working it off in that wise.

Senator Bulow. How many years would it take?

Mr. Clair. Three years.

Senator Bulow. It would take 3 years to get off what is on hand now?

Mr. Clair. Yes, sir.

Senator Bulow. Assuming they did not produce any more than they had each year.

Mr. Clair. Twelve million bales, the normal crop.

Senator Bulow. Where do you get that 12,000,000 bales as the normal crop?

Mr. Clair. Twelve million six hundred thousand we had this year.

Senator Bulow. Yes; but this is the lowest crop you have had in many years.

Mr. Clair. Under this plan they would cooperate to reduce.

Senator Bulow. Don't you know that the production of cotton for the last six years has been approximately 15,000,000 bales?

Mr. Clair. Yes; because as cotton prices drop they have to make more. They have their fixed charges to meet. When you pay 18 cents, they will normally go to reduced acreage.

Senator Bulow. Then, you can't figure on 12,000,000 as the normal production. You recognize that this will not apply to cotton like it will to commodities that have practically no export surplus, don't you?

Mr. Clair. Well, I submit we should put the American cotton planter on a domestic production price also, even though it be above the world price. Give him the benefit of it.

Senator Bulow. That is what I am figuring with you; how little of his crop he gets the benefit on.

Mr. Clair. He will get the benefit on every bale consumed in the United States.

Senator Bulow. After they consume the nine and one half million bales already here, which he don't own.

Mr. CLAIR. Let them declare their stocks today, and they will be compelled to find a market for that portion for domestic production.

Might I submit that Senator Thomas gives us Irving Fischer's commodity dollar. It takes the dollar as we value it here in the East now, makes use of it, and says that commodity prices be commensurate with the gold dollar. If that is done, we will have a commodity dollar henceforth in the country.

Senator THOMAS of Oklahoma. Would you favor that?

Mr. CLAIR. Yes, sir, absolutely. I want a commodity dollar.

Senator KENDRICK. The dollar was getting cheaper all the time from 1920 or 1921 to 1929, in terms of commodities.

Mr. CLAIR. In terms of commodities, yes.

Senator NORRIS. Have you there the variation in the gold dollar since 1879?

Mr. CLAIR. No, but I have the index prices on farm products compared with the index prices on commodity products, and they were pretty much in parity. They were exactly in parity in 1911. Then your farm commodity index was 101, your index for general commodities was 101.

Senator KENDRICK. What I would like to ask you is this: If we should cheapen the dollar and permit our maladjusted methods of exchange of commodities between the East and West to continue, the disparity would still exist, wouldn't it?

Mr. CLAIR. That would be an idle thing. The ideal thing would be to take Senator Thomas' idea and evaluate gold slightly, and get your increased commodity price and keep it there. If the index value went up, bring up commodity prices. If they went down, bring down commodity prices.

Senator KENDRICK. One parity of exchange?

Mr. CLAIR. Parity of exchange. I say it is not a question of international trade. It is a question of fair trade between 53,000,000 people, who create the new wealth annually, and the balance of us back here who sell service, the mill and the manufacturer. We have the greatest market out there in the world, in the South and Southwest, for our commodities. Heavens, if Texas was a foreign nation, they would be sending ambassadors out of New York to build trade. It is there, but they can't trade with us any longer. They went broke in 1920. They had no money than. They went out and mortgaged their farms, and their cattle and their chattels. Now all that money is gone. They have bought so much from the industrial east country that they are exchanging produce on a $2 basis and paying at the rate of $14 to $15 for what they buy.

Senator KENDRICK. And paying the freight both ways.

Mr. CLAIR. Well, it is unfortunate that the railroads are an American institution. We pay for them and we have to keep them up.

Senator MCGILL. A while ago in response to Senator Capper I understood you to say you had a brief bearing upon the authority of Congress to enact a price fixing law?

Mr. CLAIR. Yes, sir; I have.

Senator MCGILL. Is that included in this group?

Mr. CLAIR. No, sir; it is a separate brief. I will see that there is one of them placed in your hands.

Senator **Bulow**. I read that brief. I don't think it is the law, though.

The **Chairman**. Was their any court decision fixing the price of wheat in 1919?

Mr. **Clair**. Yes, sir.

The **Chairman**. In 1919 you remember we fixed a minimum price on wheat. That was after the war was over. I don't know whether there was any court decision on it or not.

Senator **Bulow**. I don't think there was, Senator.

Mr. **Clair**. I am speaking out of turn perhaps, but I am advised it is under the guise of public necessity, and strictly in accordance with the Constitution, and under the guise of public necessity that we fix railroad rates, that our States are permitted, under the guise of convenience, to fix telephone rates and electric light rates, and that under the guise of public policy we do certain other things in life. But I submit to you, Mr. Chairman, there is something in life that is more necessary than the railroad or the telephone. Our forefathers built this Nation great without railroad systems. But wheat is indispensable to human life. We would die without wheat. We would die without corn. I submit if the Government has the power to fix these things, it certainly will recognize the indispensable products of farms. I urge another class of economic commodities, basic raw materials that are nonperishable and indispensable, and I repeat they include cotton, wool, flax, wheat, corn, rice, oats, barley, buckwheat and hay.

People say "Why hay?" Our hay crop is worth in excess of $1,000,000,000 a year. When we stabilize that billion dollar value it will permit of the farmer discounting that bill of lading at a fixed price and enable us to use that bill of lading as specie or currency in the Nation.

With reference to corn and livestock, let me say the hog is a perishable product, but that we have one commodity in corn that is sort of wrapped up in the hide, and walked off the farm on the hoof. So therefore I urge we stabilize corn at 87 cents a bushel, but inasmuch as it is fed to hogs, that we should have a proration on hog meat. That is, a farmer raises 3,000 bushels of corn. If our domestic consumption is 80 percent, he may sell 2,400 bushels of corn as grain, or he may sell it as pork meat, or he may sell it as a combination of both. I am urging that in order to keep the Kansas wheat farmer from feeding surplus wheat to hogs in competition with the Iowa and Illinois corn markets. It puts every American farmer on the same basis, one with the other.

I am urging that the price of $1.25 for wheat be paid on the farm. It is immaterial whether the farm is in Montana, the Dakotas, Nebraska, or in Pennsylvania. It should be $1.25 on the farm, and not at the terminal point.

Senator **Frazier**. All of these prices of yours are on the farm?

Mr. **Clair**. All these prices should be on the farm.

The **Chairman**. And you would have these stabilized prices fixed annually?

Mr. **Clair**. Fixed annually; yes, sir; and they should be fixed in conjunction with the American value of the gold dollar that year. If the value is low, down go agricultural prices. Again, I say if the value of farm wagons, taxes, and so forth, go up, it is folly to keep the farmer down that year. We have to bring him up so that he can buy from us.

We, in America, have standardized our living and lives. We wear Stetson hats, Hart, Shaffner & Marx clothes, we eat Uneeda Biscuits, and listen to Crosley radios. We ride in automobiles. The price of Uneeda Biscuit is the same in New York as it is in Montana. The price of a Stetson hat is the same in Philadelphia as it is in Nebraska. The price of a Ford automobile is based f.o.b. Detroit. You are out of luck if you have to pay $100 freight. It doesn't make any difference to the American people who provides that portion of the wheat he needs to live on. The farmer in Nebraska is entitled to $1.25 for the wheat from his farm just as much as the man in Pennsylvania from his farm, or shipping point.

The CHAIRMAN. According to your theory, under the application of our tariff system, where the tariff was applied and the manufacturer raised his prices up to the tariff price, he automatically would raise the farmers' price?

Mr. CLAIR. Yes, sir.

The CHAIRMAN. And that would do away with the tariff.

Mr. CLAIR. Yes, sir.

Senator NORRIS. I would like to ask one question or two about your proposition to fix the price the same all over the United States. So far as I am personally concerned, it seems to me that would be a good thing, if it were possible, but don't you realize, as a practical man, that is an impossibility, that we could not get that kind of a law through Congress, in my judgment, in a thousand years.

Mr. CLAIR. It is what should be done.

Senator NORRIS. We ought to face the facts. It is what we can do that we should stick to.

Mr. CLAIR. Well, there is a differential in freight rates alone of 53 cents a bushel at Chicago on grain out of Kansas points and Montana points. I say let these fellows on the board of trade trade all they want, let them speculate on that difference in freight rate all they want. They can push the price of wheat where they want, but there shouldn't be any trading below that price that is fixed, and the farmer in Montana is entitled to the same price for his grain needed to feed a man in New York City as the man in Kansas is. If he is far removed from the terminal point and the center of population, his land is cheaper.

Senator NORRIS. Well, it is a peculiar thing, but true, about our civilization that in a great many of our products the reverse of what you say is true.

Mr. CLAIR. That is right.

Senator NORRIS. You could go into a sugar factory in Colorado, and you could buy sugar out of the factory itself, and you would have to pay a price to which has been added the freight to some terminal point somewhere.

Mr. CLAIR. That is wrong. When you set up this law you ought to face that intrinsic fact.

The CHAIRMAN. Well, wouldn't you have any commodity grown in a far distant State, where it is processed or where it is consumed, not being used; that they would buy all that right nearby?

Mr. CLAIR. That is true. In Texas our per capita consumption of wheat is approximately four and three-quarter bushels. Texas raises enough to feed their own people in the Southwest. Why shouldn't she do it? It is true she might have to bring in some other hard wheat, or some other soft wheat for mixing purposes, but it is also true that the producing area is adjacent to where the people live.

I do say this, that we in New York City, which happens to be my home, raise no wheat. When I look at a loaf of bread I never speculate as to whether it was raised in Montana, Kansas, or Pennsylvania. I believe that a man, regardless, who is an American citizen, should get an American price for his product on his American farm.

The CHAIRMAN. The point I was making is that the freight would have to be added. You fix the price all over, the same identical price?

Mr. CLAIR. Yes, sir.

The CHAIRMAN. The man that was farther away would be at a disadvantage as compared with the man that was nearer to where it was to be processed, and from which it was to be then reshipped. That is one of the problems that has come into our transportation system. We cannot base it on the mileage, because it would make it impossible for people that lay a distance from the manufacturing point compete with those that would be nearer the manufacturing point. Here they had to build up a system that would distribute the wealth, the manufactured wealth, of the people at a freight rate that would allow every vendor throughout the country to have approximately the same opportunity to do business and to accommodate the people in that community.

Mr. CLAIR. Well, the Senator is absolutely right. I agree with him on that. But nevertheless, we in industry do not do it so. In industry, the price of a motor car is rated f.o.b. Detroit, and the purchaser pays the freight. If he happens to be in Flint, Mich., or Canton, Ohio, his freight is, say, $8, $10, or $14. If he happens to be in Carolina or Texas, his freight rate is $110, $112, or $114. He has to pay it. I don't know why what is sauce for the goose is not sauce for also the gander. When we have our prices based at our point of production in industry, why parity is not established when agricultural products have their prices based there also.

The CHAIRMAN. I suppose the answer to that would be that each one, no matter where he produces, would be allowed to sell his pro rata of the domestic consumption.

Mr. CLAIR. That is right.

The CHAIRMAN. And the other man must look out for the extra charge in freight?

Mr. CLAIR. Yes.

Senator BULOW. Mr. Clair, I am in sympathy with your desire to lift the farmers' prices. On the question of enforcement, you would provide it would be a criminal offense to either buy or sell at a price lower than the price fixed?

Mr. CLAIR. I would impose the same penalty for false oath on that as is provided in the income tax law.

Senator BULOW. Suppose a farmer took a load of grain to town and sold it below the price fixed. Would he violate the law, or would the man who bought it from him violate the law?

Mr. CLAIR. Both.

Senator BULOW. They would both be subject to a fine?

Mr. **Clair**. Yes; exactly the same as if I went down to the railroad station today and purchased a ticket to New York at less than the legal tariff. The man who sold it to me he and I myself would both go to jail.

Senator **Bulow**. You apply this only to non-perishable commodities?

Mr. **Clair**. Indispensable, nonperishable commodities.

Senator **Bulow**. That does not include hogs?

Mr. **Clair**. That does not include hogs. I would suggest that inasmuch as the corn crop is something that is converted to hog meat, that in order to cover that there should be a proration on hogs. This means about a 10½-cent price on hog meat.

Senator **Kendrick**. If, now, Mr. Clair, while you persist in reducing production, which would come through reduction in acreage, and do not include dairy products, would not the farmers who cut down the production of corn produce dairy products?

Mr. **Clair**. No; I don't think that follows. For you know, Senator, it includes practically all the basic agricultural groups, and there would be no shift. Things are being made today where they are being made at the least cost of production, according to climate and soil, according to the nearness of the center of production. I don't believe with the Clair plan in effect, with this in effect—well, you are going back to where you were in 1929, and there is no difference in the world, the price of the agricultural products will be about what they were then. There is no change in the marketing grogram. I don't want to take it out of the board of trade or the cotton exchange. Leave it in just the ordinary channels of commerce that built this country great. Those are the channels which should handle the agricultural commodities in the future as they did in the past. But there will be this difference; that henceforth there will be no speculating in these basic products below what it cost the American farmer to produce.

The **Chairman**. He can speculate above?

Mr. **Clair**. All he wants, but not below.

Senator **Bulow**. If this is a practical plan, you then establish equality between the industrial producers of the country and the producers of raw materials?

Mr. **Clair**. That is right.

Senator **Bulow**. And if you succeed in doing that, you eliminate special privilege?

Mr. **Clair**. That is true.

Senator **Bulow**. You realize you are preaching a very unorthodox doctrine.

Mr. **Clair**. Well, I am not supposed to be very orthodox.

Senator **Frazier**. Will you explain a little further about the surplus that might be carried over on the farm to the next year? How will that be handled?

Mr. **Clair**. Take a farmer who raises 1,000 bushels of wheat today in your country, and he comes in and the postmaster gives him a certificate that permits him to sell 800 bushels of wheat domestically. He finds himself with 200 bushels of wheat on hand.

Senator **Frazier**. Suppose he carries that over, carries it all over to next year?

Mr. **Clair**. If he can't find a market he has to carry it over. If the next year he finds himself with that 200 bushels on hand, he will say, "What is the use of me raising 1,000 bushels of wheat this year?" So he goes in to the postmaster and declares the following year he is going to cut down his acreage. He comes in and declares he is going to cut his production to 800 bushels. In other words, he is going to balance his personal production to the domestic demand. Do I make myself clear?

Senator **Frazier**. So far.

Mr. **Clair**. Then, he may put that 200 bushels in his next year production and get rid of it.

Senator **Frazier**. After the crop is made and harvested and threshed he would have to make a declaration as to the amount he had for this second year?

Mr. **Clair**. Yes, sir.

Senator **Frazier**. Including these 200 bushels?

Mr. **Clair**. Yes, sir; and he would be permitted to put that in his personal production that year and get rid of it, and henceforth he would be producing for domestic production only, and the second year he would sell his 100 percent. In other words, there is adirect incentive there for some farmers to cut, and get on a direct domestic-production basis. But those who want to speculate can sell where they want.

Senator **Frazier**. I think the general incentive would be to cut down as much as possible domestic production.

Mr. **Clair**. I don't believe we ought to yield up our foreign markets.

Senator **Frazier**. Of course not, but now there isn't much foreign market. Our home price today is 10 cents over the Liverpool price right now, the world price.

Mr. **Clair**. Senator Frazier, I say this; if there is an American farmer who has got any surplus wheat that he wants to sell in the world market at 20 cents, Godspeed him to it. He will bring that much more money into the country.

Senator **Frazier**. But the farmer is not going to sell it for 20 cents if he can carry it over to the next year and get $1.25 for it.

Mr. **Clair**. That is true.

The **Chairman**. And suppose you were to fix the price of cotton. We export a little, 5 or 10 percent more than the domestic consumption. Suppose you fixed it at 18 cents and the world price of cotton rose to 18½ cents. Then there would be no prohibition or inhibition, but he could go out and sell everything he had.

Mr. **Clair**. That is right. Let the law of supply and demand become operative there.

The **Chairman**. But the minute it drops down to 17 cents, his domestic portion would sell at 18 cents?

Mr. **Clair**. At 18 cents. In other words, there is no sense in asking our farmers to clothe and feed us less than its costs to produce that clothing and feed. It is only going to bankrupt them, inevitably.

Senator **Thomas** of Oklahoma. If the Government should fix the price for that portion of our cotton domestically consumed at, say, 20 cents a pound, you would have no objection, in the event the world price should rise to 25 cents per pound, to the farmer selling all his at 25 cents?

Mr. Clair. Absolutely not. This 18 cents is the minimum price. I am personally urging 18 cents as the price that is necessary to restore parity between this eastern gold commodity dollar—may I take the time of your committee for a minute and give you an illustration of what is in my mind's eye?

I have a picture in my mind's eye of a little stone building, back in Brockton, Mass., 20 years ago, and in that building was a certain workman, behind a certain machine, taking pieces of leather from Newark, N. J., that originated in the stockyards in Chicago. He took that hide and built a pair of shoes, and sent those shoes to Tyler City, in Texas, to a certain merchant, where those shoes were sold under a certain trade name. Those shoes sold for $2 per pair. The cotton farmer went out into the field and made 20 pounds of 10-cent cotton, came in and got the shoes. That was 20 years ago.

Now, I will bring it right up to date. The same building, the same machine, the same workman with the same hide, from the same place in Newark, from the same stockyards in Chicago, making the same well-advertised brand of shoes that I have got on my feet now, sends it to the same merchant in Tyler, Tex., in the same store where they are put on the same shelf, and the same cotton farmer today must go out and make 120 pounds of 5-cent cotton to buy the shoes, and there is no difference, except everything is 20 years later. But he has to work five times harder, because this fact is pregnant, it took 8 days to pick a bale of cotton 20 years ago, and it takes 8 days today. There is just as much labor now as then, only now he must work five times as long.

As the commissioner of Texas said to you, when we in these United States only give 53,000,000 people a pittance for their labor, they can only have a pittance to spend with us, that if you pay the farmers justly, they can buy justly from you.

I have heard it recited that cotton might be stabilized at 8 or 9 cents a pound. Let me urge this upon you; that there are two types of distress clearly evident in the country today. In the East it is human rights that are suffering. Here are men, women, and children who are hungry. That is not true in the South or West. Out there it is property rights that are suffering. Land values have depreciated from 77 billions of dollars to 44 billions of dollars, in the last 12 years. Thirty-three thousand million dollars lost on the value of American farm land. Agricultural commodity prices have been depressed from $12,800,000,000 in 1929 to $5,200,000,000 today.

I don't know why society today decides that a bushel of wheat is worth only 20 cents, when it was worth $1.25 in 1929. The wheat is just as needful to my stomach. My appetite is just as keen, and my teeth just as sharp today as they were then.

Senator Norris. I wish mine were.

Mr. Clair. But it is the value we place on it. If we give the Southern States 8 or 9 cents for their cotton, if we talk about 88 cents for wheat, let me offer this suggestion; 88 cents is going to enable the Kansas wheat grower to pay his taxes, pay the interest on his mortgage, maybe buy a pair of work shoes, but take it from me, gentlemen, it is not going to enable him to support our motion-picture industry, which is a $3,000,000,000 industry itself. It is not going to permit him to buy generously of our industrial city of Detroit, Mich. Our problem today is to get sufficient money to him to enable him to buy prosperity back to our mines and mills and factories, because I see this one thing staring us in the face. I distinctly trace this problem back 40 years to a time in this Nation when grass was free. When free grass obtained in this country we had one cycle of economics under which we all lived. In the day of free grass nature bred cattle; the cattle roamed the open range country, and nature fed it and nature finished it, and the agriculturalist went out, caught it, slaughtered it, smoked it, and sold it and got the money for it. When our Government had deeded all our public lands to private titles things in life changed for the farmers. The first thing they had to do was to fence their lands. To fence their lands they could no longer go down to the fork of the creek and put down fence posts and split them. They had to buy those fence posts and plant them, and buy hog wire, nails, and staples to hang on the fencing, and with that purchase of hog wire, nails, and staples, there started a new industry in the United States. The wire industry was given birth to with the building of wire fences.

Time was when man came along and sold shares of stock in packing plants, and they built those institutions in little towns like Chicago and Omaha, and Kansas and Missouri State, but after the packing town was established cities grew around them. Why? Because this new industry of the packing plants became one of the things that took a job away from the farmers, and the profits that he made began to be paid out in our cities.

Then along came the industrialized creameries. They sold shares of stock and built that. I will grant you that progress was made, but we must be reminded of the fact that when city workers began to work up the butter-fat of the Nation that agriculture had lost another job to industry, and with it went the profits from the agriculturists.

Time was—when I was a boy I was raised in socks knitted in my home; I was raised on profits that my women folk made by saving rags and tearing them into strips and sewing them end on end and weaving them on community looms. That work is taken away from the American family today. Today our rugs are made at Hartford, Conn., or Amsterdam, N. Y.

Time was when the farm wife went into the county seat and bought yard goods and ran them up on the sewing machine into bedding and clothing for the family. That has been taken away from the farmer. Today our farm ladies wear Learned blouses and the farm men wear Hart, Shaffner & Marx or Kuppenheim suits.

I could go on all afternoon, but let me give you this thought: When the internal-combustion engineer came along, and with his mind and skill put a cylinder on an automobile engine, and put that engine on front of hundreds of thousands of drays, and trucks, that ride the great streets of New York, Buffalo, Chicago, smash went the agriculturists' market for oats and hay; smash went the western market for horses and mules. More work taken away from the American farmer, and that cycle has gone on today until we in the industrial East, and I say it for every manufacturer here, by and with the consent of the Illinois Manufacturers Association, have taken over every job that nature's god ever intended them to have in life, we have said to him, "You raise the seed and the fat, the fibre, and we in the East will make your hats, your boots, your shoes, your clothes, your hog wire, your staples, your tin, your lead, your putty, everything in life we will build here," and he has not failed us. He has gone down that highway, breaking his ground and bringing in the crop to feed us, and today we have got our warehouses bursting with cotton and wheat—cotton and wool, and the granaries overflowing with wheat and corn, and he is busted. He is bankrupt today. He has no credit. He can't buy, and there are 53,000,000 of them. And take it from me, when 53,000,000 American citizens can no longer buy the products of mines, mills, and factories, we have got to shut our factories down, turn out our workers, and establish soup lines and bread lines to feed them.

I say the day you restore these agricultural commodity prices and pay these people in the country for our bread bill, pay them decent prices for the products that we need in these United States, these people who have brought fertile fields out of desert country, in order to clothe and feed us, stand ready and willing to buy prosperity back for every idle workman in the United States.

The CHAIRMAN. You know one of the great criticisms made by our economists, professors, and experts, is that the farmer is too extravagant. I don't know what he is extravagant on, but you know that is so.

Mr. CLAIR. I don't know. I am not an expert.

Senator MURPHY. Then you would say the cancer that has eaten through the steel walls of the banks, that has impoverished railroads and closed factories, had its origin right on the farm?

Mr. CLAIR. Absolutely. There is no other reason. Why should the Nation be distressed today? My God, when our forefathers came here, and landed on Plymouth Rock, that nothing with them except their brain and brawn and that is all they had, and today we find ourselves a Nation of 125,000,000 poeple—just a mere handful of those on the face of the earth. There are two thousand million people on the face of the earth, and a handful of us here have half the gold in all the world. Certainly if the rest of the world has got to get along with the other half, we have our share here. We have in the United States today 100 percent of the world's skyscrapers, seven-eighths of all its factories. I might say also that the Federal Reserve System, with all its deficiencies, gives us the greatest banking system that was ever devised. We have the greatest system of transportation in our railroads, waterways, highways; the greatest system of communication, the greatest army of technicians and mechanicians ever mobilized on God's footstool. We have natural resources unbounded here in these United States today. We are not lacking in anything.

Here is the reason: Back in 1929 the American farmer had $12,800,000,000 turned back into the channels of commerce and buy, and that $12,800,000,000 turned over seven times.

Let me explain to you what I mean by that, Mr. Chairman. When a farmer buys a suit of clothes, he walks into his merchant's store in his county seat and today lays down $25. The merchant scalps that $25 about 20 per cent. He takes off about $5 and sends $20 to the city of Chicago, to the clothing manufacturer, or to New York City. The clothing manufacturer takes that $20 and he pays his heat, his light, his rent, his power, his taxes—and Heaven knows they need them in Chicago—he takes his profit, pays out his labor, and out of the $20 he sends about $12 to the woolen mills New England for the cloth and the buttons and the findings.

The woolen mills pay their heat, light, rent, power, taxes, take their profits, discharge their labor, and they send about $6 to the spinner.

That $25 purchase of clothes turns over seven times before it finally gets into the hands of some man who pays off a piece of preferred stock or a bond, which buys a new machine and plows it back into permanent improvements in a building or something.

In other words, gentlemen, in the expenditure of the farmer's dollar you turn that commerce over seven times, and in the year of 1929 when agricultural products were worth $12,800,000,000, the national income of this Nation was $90,000,000,000, and we were prosperous. Last year, with agricultural products worth $5,200,000,000, the national income was only $40,000,000,000. There is the proof.

Senator MURPHY. The way to open factories is to start on the farm?

Mr. CLAIR. To start on the farm, give these people plenty of purchasing power.

Senator MURPHY. You heard the testimony of witnesses today who said these higher prices could not be had, that the consumer has not the money to pay them.

Mr. CLAIR. Of course he hasn't. He isn't paying them today.

Senator MURPHY. Instead of a price of $1.25 for wheat and 87 cents for corn and 20 cents for cotton, they say the consumer hasn't got the money to pay that.

Mr. CLAIR. He hasn't; there is no question about that. Men who do not work should not have money. Men who do not work do not produce and they should not have money. I am not saying they should not be fed. They should not have money. But, by the same token, those who do work should have money, and today there are in that West and South country millions of people who are working, making a crop without which we would all die next year, and they have no money. Certainly if they who do not work should not have money, they who labor should have it. Why haven't they got it? Why not pay our farmers, let us pay them decent prices, and just, for that portion of their crop that is necessary to clothe and feed us, and they will buy prosperity back. Let me prove it——

Senator MURPHY. You don't have to prove it to me.

Mr. CLAIR. I know. There isn't a high school boy or girl out there in that country but what wants to buy a Ford roadster and a cedar chest and go off and get married. Give them a chance.

Senator BULOW. In other words, if the farmer has money, these fellows in industry will get it?

Mr. CLAIR. Yes. There is no wealth that will ever come into this Nation unless it comes out of the sea or out of the soil, and I submit to you that we in New York are not producers. We are neither fishermen nor farmers. We sell service and that is all. The only new wealth that comes into this Nation annually has to come out of the soil, and when society regards that new wealth as being almost valueless, then society cannot make use of that wealth. If we would place a decent value on it today, these American farmers would begin to buy automobiles and radios at once, and that is the only way that prosperity is going to come back.

I will also submit this to you, gentlemen; that you are now confronted with the problem of refinancing the American farmer. I say to you, Mr. Chairman, that if a man has got 100 acres of cotton land down in that south country, and he has got a mortgage on that land, and the majesty of this United States Government may contract to pay 18 cents for his cotton, he won't have any trouble refinancing that mortgage. The mortgage companies of New York City will go down there like they did in 1929, and they will want to buy up the mortgage and refinance it for him.

We want to face a problem that is intrinsic today. It is not theory. It is not a promise that the American farmer and the American people need today. It is a price he needs, and it has been definitely stated in the Halls of Congress here that you want to place the industry of agriculture on the plane of other industries. Your present agricultural act so recites. Let us stop for a moment and find out what plane they are on.

I submit that railroad rates are fixed, immigration has fixed the price of labor; the 8-hour day is sustained; the price of gold is fixed, electric light prices are fixed, postage stamp rates, telephone and telegraph rates are fixed. Why can't you make good your promise and place the industry of agriculture on a plane with the other basic industries?

Don't fix his prices. I am not asking you to fix his price. I am only asking you to establish a minimum price. I don't want you to pay any American wheat grower or corn grower a single penny for any bushel of corn that we don't need, but in God's name pay him a decent market price for every bushel that we do need.

When I come in my home at night the lights are not burning. I am not paying for the electricity then. But when I press that button, the current jumps in and lights that filament there, and I begin paying for what I use. And I am satisfied to do that. I am satisfied to pay that price found in the law for the electricity I am using. I am satisfied to pay for every pound of cotton that is needed to clothe my family or myself. I am satisfied to pay for every bushel of wheat that is needed to feed my family or myself, and I would like to go back to my business and know that somewhere in this country is an American citizen providing me with cotton and with wheat to feed my family and me, and I would like to know that I am paying him a decent market price for it.

The **Chairman**. I take it, then, that so far as this proposition in this allotment plan is concerned, you don't think it will turn the trick?

Mr. **Clair**. No, sir. It is not positive It seems rather ridiculous—I don't want to be critical. It is not my purpose to be critical, but we have been teaching our people in our agricultural colleges to use fertilizer to increase production. I read here in the bill now you are going to absolutely forbid a man to fertilize the soil. That is paradoxical. I say let him use all the fertilizer he wants.

Senator **Bulow**. Where is that in the bill?

Mr. **Clair**. It is right in here.

Senator **Bulow**. Find it.

Mr. CLAIR. I will find that for you later, Senator. I say let our farmers plant where they will, what they want. That is there business. As a newspaper man asked me, "What are you going to do with your surplus?" I made this simple answer. "I came into your town and bought a newspaper. I laid down 10 cents, and the girl gave me 5 cents change. I bought the newspaper and read it, and I never thought what you were going to do with the surplus newspapers you couldn't sell. What do you do with them?"

."Well," he said, "We sell them where we can at what price we can get."

Let the American farmer do that, put his rugged individualism to the test. Pay him for what we need. Let him produce what he will, and if he can find a foreign market for his surplus, God speed him to it. But if he can't, let him remain the punitive creat or of it and keep it on his own farm, and they will soon balance supply and demand.

The CHAIRMAN. Don't our manufacturers under the protective tariff do that?

Mr. CLAIR. That is exactly what they do, but we have control. When an automobile manufacturer finds sales falling off, he can control production. How? He can call in the paymaster, pay off his workmen, pull the boilers, and close the factory gates. But the farmer can't do that. It is a seasonable proposition with him. He has to depend upon nature, and nature has got to make his crop. But you can control marketing of agricultural products. You can control the amounts that are going into the channels of trade and control that effectively, and so it is through a positive simple market control that will give him a certain fixed stabilized figure for the portion we need.

Senator THOMAS. Let me ask this question: Could the Secretary of Agriculture put this plan into effect if this bill before us should be enacted into law? I ask this question because he spoke of your plan the other day rather favorably, as I understood him.

Mr. CLAIR. Yes; I presume he could, but the bill does not specifically state the price at which these products ought to be stabilized, and I urge it upon you gentlemen to report out a bill that faces this issue intrinsically, and tell what price should be paid for such portions as we need for these basic, indispensable, nonperishable crops. To what end? The day that that is done, that day you are going to see the stock market in New York rise. Yes; you are. Millions are going to be added. Our security values have always followed these commodity prices, and you are going to see this Nation begin to go forward.

The CHAIRMAN. Now, if there are no more questions to be asked of Mr. Clair, we will have to move along. We are much obliged to you for your eloquent and illuminating statement.

Senator THOMAS of Oklahoma. I ask unanimous consent to have Mr. Clair's booklet and pamphlets inserted in the record.

The CHAIRMAN. Without objection it is so ordered.

(The documents are as follows:)

THE CLAIR PLAN TO RESTORE FARM AND NATIONAL PROSPERITY

THE NATIONAL LEAGUE FOR ECONOMIC STABILIZATION

Officers: Francis J. Clair, president; William J. Goodman, chairman of the board and treasurer; George C. Lytton, Herbert U. Nelson, vice presidents.

Chicago board of governors: Joseph Deutsch, president Edwards & Deutsch Lithographing Co.; George C. Lytton, president Henry C. Lytton and Sons, "The Hub"; William J. Goodman, vice president Horder's, Inc.; W. M. Gamble, president Gamble Hinged Music Co.; Benjamin Kulp, president Wilson-Jones Co.; Herbert U. Nelson, executive secretary The National Association of Real Estate Boards; Mrs. Julia C. Steven, president Mrs. Steven Candy Co.; J. Soule Warterfield, president Chicago Real Estate Board; C. T. Ripley, railway engineering executive; Dr. William M. Balch, Baker University, Baldwin, Kans.; Joseph F. Nichols, attorney at law, Greenville, Tex.; Charles B. Ray, commerce and trade, Glen Ellyn, Ill.

[Excerpts from the "Agricultural Marketing Act", June 15, 1929]

[Public—No. 10—71st Cong.]

[H.R. 1]

An Act To establish a Federal Farm Board to promote the effective merchandising of agricultural commodities in interstate and foreign commerce, and to place agriculture on a basis of economic equality with other industries

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. (a) That it is hereby declared to be the policy of Congress to promote the effective merchandising of agricultural commodities in interstate and foreign commerce, so that the industry of agriculture will be placed on a basis of economic equality with other industries, and to that end to protect, control, and stabilize the currents of interstate and foreign commerce in the marketing of agricultural commodities and their food products—

(1) By minimizing speculation.

(2) By preventing inefficient and wasteful methods of distribution.

(3) By encouraging the organization of producers into effective associations or corporations under their own control for greater unity of effort in marketing and by promoting the establishment and financing of a farm marketing system of producer-owned and producer-controlled cooperative associations and other agencies.

(4) By aiding in preventing and controlling surpluses in any agricultural commodity, through orderly production and distribution, so as to maintain advantageous domestic markets and prevent such surpluses from causing undue and excessive fluctuations or depressions in prices for the commodity.

(b) There shall be considered as a surplus for the purposes of this act any seasonal or year's total surplus, produced in the United States and either local or national in extent, that is in excess of the requirements for the orderly distribution of the agricultural commodity or is in excess of the domestic requirements for such commodity.

(c) The Federal Farm Board shall execute the powers vested in it by this act only in such manner as will, in the judgment of the board, aid to the fullest practicable extent in carrying out the policy above declared.

* * * * * * *

SEC. 4. The board—(4) may make such regulations as are necessary to execute the functions vested in it by this act

* * * * * * *

SEC. 13. (a) The board shall, in cooperation with any governmental establishment in the Executive branch of the Government, including any field service, thereof at home or abroad, avail itself of the services and facilities thereof in order to avoid preventable expense or duplication of effort

(b) The President may by Executive order direct any such governmental establishment to furnish the board such information and data as such governmental establishment may have pertaining to the functions of the board; * * *

THE CLAIR PLAN

The Clair plan is predicated on the fact that agriculture is an industry, producing certain raw materials required for food and clothing, the production of which is indispensable to human life.

That the industry of agriculture must be considered as to its investment, labor, and income, to be on a parity with other industrial enterprises, to insure a reasonable degree of economic stability in this Nation.

That there will be no return to prosperity for all classes and kinds of people, or for all classes and kinds of business, nor real security for our banks, insurance companies, and other institutions of vital importance to society, until the stabilization of agricultural values and agricultural income is definitely and positively provided for in our economic system.

That the continuation of the present profound disturbance in our economic structure is due primarily to the disparity between relative prices of farm commodities, representing farm income, compared with prices of other commodities, which has resulted in practical bankruptcy for agriculture, our chief industry, with consequent impairment of value and income throughout the Nation.

The constitutionality of this plan being unquestioned it is possible of immediate execution under the present Agricultural Marketing Act without further action of Congress.

The Clair plan is a just, direct, practical, and legal means for insuring agricultural stabilization and may be summarized as follows:

1. Contends that the restoration of prosperity in this country is dependent upon domestic trade and domestic conditions.
2. Provides for yearly determination of a reasonable minimum price to the producer for the raw clothing and food crops necessary for United States consumption.
3. Provides for yearly determination of prorate for United States consumption against total production of each of these crops, on which quantity prorated for domestic consumption, no less than the established minimum price shall be paid according to law.
4. Provides for a Federal marketing control without governmental subsidies or credits through the agency of the United States Post Office, which is positive in its method of control, lends itself to any form of buying, selling, and crop credit procedure and does not entail additional public expense.
5. Provides that the marketing methods proposed will be made compulsory by law, to be executed under the present Agricultural Marketing Act.
6. Provides for tariff protection of the American minimum price.
7. Provides for taking the United States Government out of the business of trading in agricultural products, and restores the business of handling these commodities to the normal channels of trade.
8. States that there should be no governmental restriction of production of these crops in this country. Incentive to voluntary reduction in production is provided to those accepting.
9. Provides that surplus production of these basic agricultural commodities, over the national domestic prorate, shall be impounded on the farm unless sold for export.
10. Establishes economic equalization and stabilization between basic agriculture and other industries.

I. RESTORATION OF PROSPERITY DEPENDS UPON DOMESTIC TRADE AND DOMESTIC CONDITIONS

There are over 2 billion people in the world today. There are $10,800,000,000 of gold in the world. This country has about 125 million people and these people of the United States own nearly one half of the gold supply of the entire world. Obviously, we have enough gold in this country to facilitate trade and credit.

The foreign nations of the world owe this country approximately 27½ billion dollars. There is not enough gold in the whole world to pay even half of this enormous debt. But it will be argued that this debt will be repaid by goods in kind. In what kind? We do not need their automobiles. We produce better and cheaper ones at home. We do not need their manufactured products. Our own factories are either closed down or running part time, with millions of our workers unemployed. We do not need their basic agricultural products. Only rubber, coffee, tea, and tin remain as important items that this country will need to import.

The money that we have loaned the various nations of the world came out of our capital surplus. This was not our real wealth but was the income or the production from our wealth. We still have our fertile lands, our marvelously equipped factories and railroads, our industrious, intelligent people, our leasers of commerce and industry, our incomparable crops of scientists and engineers;

Chicago board of governors: Joseph Deutsch, president Edwards & Deutsch Lithographing Co.; George C. Lytton, president Henry C. Lytton and Sons, "The Hub"; William J. Goodman, vice president Horder's, Inc.; W. M. Gamble, president Gamble Hinged Music Co.; Benjamin Kulp, president Wilson-Jones Co.; Herbert U. Nelson, executive secretary The National Association of Real Estate Boards; Mrs. Julia C. Steven, president Mrs. Steven Candy Co.; J. Soule Warterfield, president Chicago Real Estate Board; C. T. Ripley, railway engineering executive; Dr. William M. Balch, Baker University, Baldwin, Kans.; Joseph F. Nichols, attorney at law, Greenville, Tex.; Charles B. Ray, commerce and trade, Glen Ellyn, Ill.

[Excerpts from the "Agricultural Marketing Act", June 15, 1929]

[Public—No. 10—71st Cong.]

[H.R. 1]

An Act To establish a Federal Farm Board to promote the effective merchandising of agricultural commodities in interstate and foreign commerce, and to place agriculture on a basis of economic equality with other industries

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. (a) That it is hereby declared to be the policy of Congress to promote the effective merchandising of agricultural commodities in interstate and foreign commerce, so that the industry of agriculture will be placed on a basis of economic equality with other industries, and to that end to protect, control, and stabilize the currents of interstate and foreign commerce in the marketing of agricultural commodities and their food products—

(1) By minimizing speculation.

(2) By preventing inefficient and wasteful methods of distribution.

(3) By encouraging the organization of producers into effective associations or corporations under their own control for greater unity of effort in marketing and by promoting the establishment and financing of a farm marketing system of producer-owned and producer-controlled cooperative associations and other agencies.

(4) By aiding in preventing and controlling surpluses in any agricultural commodity, through orderly production and distribution, so as to maintain advantageous domestic markets and prevent such surpluses from causing undue and excessive fluctuations or depressions in prices for the commodity.

(b) There shall be considered as a surplus for the purposes of this act any seasonal or year's total surplus, produced in the United States and either local or national in extent, that is in excess of the requirements for the orderly distribution of the agricultural commodity or is in excess of the domestic requirements for such commodity.

(c) The Federal Farm Board shall execute the powers vested in it by this act only in such manner as will, in the judgment of the board, aid to the fullest practicable extent in carrying out the policy above declared.

* * * * * * *

SEC. 4. The board—(4) may make such regulations as are necessary to execute the functions vested in it by this act

* * * * * * *

SEC. 13. (a) The board shall, in cooperation with any governmental establishment in the Executive branch of the Government, including any field service, thereof at home or abroad, avail itself of the services and facilities thereof in order to avoid preventable expense or duplication of effort

(b) The President may by Executive order direct any such governmental establishment to furnish the board such information and data as such governmental establishment may have pertaining to the functions of the board; * * *

THE CLAIR PLAN

The Clair plan is predicated on the fact that agriculture is an industry, producing certain raw materials required for food and clothing, the production of which is indispensable to human life.

That the industry of agriculture must be considered as to its investment, labor, and income, to be on a parity with other industrial enterprises, to insure a reasonable degree of economic stability in this Nation.

That there will be no return to prosperity for all classes and kinds of people, or for all classes and kinds of business, nor real security for our banks, insurance companies, and other institutions of vital importance to society, until the stabilization of agricultural values and agricultural income is definitely and positively provided for in our economic system.

That the continuation of the present profound disturbance in our economic structure is due primarily to the disparity between relative prices of farm commodities, representing farm income, compared with prices of other commodities, which has resulted in practical bankruptcy for agriculture, our chief industry, with consequent impairment of value and income throughout the Nation.

The constitutionality of this plan being unquestioned it is possible of immediate execution under the present Agricultural Marketing Act without further action of Congress.

The Clair plan is a just, direct, practical, and legal means for insuring agricultural stabilization and may be summarized as follows:

1. Contends that the restoration of prosperity in this country is dependent upon domestic trade and domestic conditions.
2. Provides for yearly determination of a reasonable minimum price to the producer for the raw clothing and food crops necessary for United States consumption.
3. Provides for yearly determination of prorate for United States consumption against total production of each of these crops, on which quantity prorated for domestic consumption, no less than the established minimum price shall be paid according to law.
4. Provides for a Federal marketing control without governmental subsidies or credits through the agency of the United States Post Office, which is positive in its method of control, lends itself to any form of buying, selling, and crop credit procedure and does not entail additional public expense.
5. Provides that the marketing methods proposed will be made compulsory by law, to be executed under the present Agricultural Marketing Act.
6. Provides for tariff protection of the American minimum price.
7. Provides for taking the United States Government out of the business of trading in agricultural products, and restores the business of handling these commodities to the normal channels of trade.
8. States that there should be no governmental restriction of production of these crops in this country. Incentive to voluntary reduction in production is provided to those accepting.
9. Provides that surplus production of these basic agricultural commodities, over the national domestic prorate, shall be impounded on the farm unless sold for export.
10. Establishes economic equalization and stabilization between basic agriculture and other industries.

I. RESTORATION OF PROSPERITY DEPENDS UPON DOMESTIC TRADE AND DOMESTIC CONDITIONS

There are over 2 billion people in the world today. There are $10,800,000,000 of gold in the world. This country has about 125 million people and these people of the United States own nearly one half of the gold supply of the entire world. Obviously, we have enough gold in this country to facilitate trade and credit.

The foreign nations of the world owe this country approximately 27½ billion dollars. There is not enough gold in the whole world to pay even half of this enormous debt. But it will be argued that this debt will be repaid by goods in kind. In what kind? We do not need their automobiles. We produce better and cheaper ones at home. We do not need their manufactured products. Our own factories are either closed down or running part time, with millions of our workers unemployed. We do not need their basic agricultural products. Only rubber, coffee, tea, and tin remain as important items that this country will need to import.

The money that we have loaned the various nations of the world came out of our capital surplus. This was not our real wealth but was the income or the production from our wealth. We still have our fertile lands, our marvelously equipped factories and railroads, our industrious, intelligent people, our leasers of commerce and industry, our incomparable crops of scientists and engineers;

we have as many people to feed and clothe as ever before and as many hands to produce the wherewithal to this end, together with the necessary raw materials for this purpose.

It is time we realized that world conditions have nothing to do with the major part of our own plight. We should face the conditions intrinsic in our own country; examine into the domestic trade balance between agriculture and industry, and find out what is wrong. There is available the greatest trade balance that is possible for us to find anywhere in the world, right within the borders of our own country. Exports at our peak never amounted to more than 10 percent of our total trade and, moreover, we have not lost all of our foreign business during this depression.

Let us state further that there are those, both in this country and abroad, who contend that the inflated and subsequently unstable conditions in the United States greatly contributed toward upsetting the world's economic condition; and that there will be no real world recovery until this country is again in a sound and prosperous condition.

It should be apparent that there is an internal cause of maladjustment within our own economic domestic equation, responsible for the appalling decline that has come upon this Nation's finance, manufacture, and agriculture.

"Where has the money gone?" The answer is, no money has gone from our country. In 1919, the total annual farm wealth was $17,000,000,000. Since that time there has been a steady decrease in farm wealth. In 1929, the total of our farm wealth was approximately $12,000,000,000. In 1931, this total was only $7,000,000,000. For 1932, the farmer's wealth promises to be the lowest on record for several decades (estimated at less than $5,000,000,000).

This decrease in farm wealth has not been due to lack of production, but for the most part to the unwarranted decline in the value of these products to a fraction of what they should be bringing. Consequently, billions of dollars of buying power, represented by produce on hand, warehouse receipts, bank credits or actual cash, has been unjustly wiped out and disastrously so to society. The significance of the loss of these billions of dollars of farm value and wealth can only be appreciated by considering that they must be multiplied several times over in the turnover in the annual trade of the Nation; thus creating additional billions of annual wealth in the form of clothing, machinery, luxuries, and everything else that the farmer and the city working man should be using in a common and constant manner and exchanging between themselves in the ordinary course of trade. We do not know the potential possibilities of production and exchange of all commodities in this Nation.

Considering our peak unit production and consumption as an index of 100 percent, and without attempting to be too exact, all surveys of our raw materials and manufacturing sources have indicated that our potential production is probably around 130 percent or 140 percent. It is generally agreed that our total production and consumption is 50 percent below our peak; thus we have an index of 50 percent on actual production and consumption as against a potential of 130 percent to 140 percent production; which total production we could use in society if we could find an equitable method of distributing our income from our annual created wealth. This problem can be solved at least in a very large degree by two simple economic principles that can be applied.

We saw the first sign of maladjustment between production and consumption assert itself in 1914. The war saved us. Then again in 1920 the same phenomenon developed. During these years of housing expansion, industrial expansion, including the tremendous expansion of the automobile industry, and the development of installment buying, the tremendous expansion in the moving picture industry, the radio, foreign loans and resultant foreign buying; plus a hectic exaggerated speculative buying and spending era postponed the final expression of this problem economically until 1929 when the crash came, and the rude awakening that followed as to how much we knew that wasn't so.

During this entire time the farmer—industry's largest and best customer—was forgotten and his plight has grown worse and worse until this day of economic reckoning.

In 1920 we established the Federal land banks, which permitted the farmer to go more and more in debt, without any means afforded for paying these debts.

Finally, beginning with 1930 the prices on agricultural products began a precipitous decline. This was due largely to the surplus in these commodities. In industrial production we can control surpluses to a great extent, but in agriculture our surplus acted as dynamite to drive our agricultural prices down to world levels in total disregard of the fact that our price structure in all other phases of our economic field was being maintained on the gold standard.

The market price of securities is dependent upon their income. These securities are not the wealth of the Nation, but are only evidence of ownership. Lands, buildings, factories, and mines are worth just as much as the income derived from them through the annual created wealth of these assets and no more. In the case of the annual created wealth of agriculture, which is probably the most basic of our economic factors, we permitted agricultural prices to sink to such low levels that we destroyed the rightful relative money value of this part of our annual created wealth.

Thus, it will be seen that the whole of our economic well-being depends upon our annual created wealth and its interchange and use in society at a sound valuation. But this significant fact stands out: The beginning of this exchange of the annual created wealth of the Nation lies primarily with the farmer, who produces the agricultural crops from the ground, and the working man who produces the industrial crop from the factory. If these folks haven't money or credit based on honest value of the human effort they have made (or are willing to make), enabling them to create their share of annual wealth, we wreck the whole economic structure.

There is no necessity to create and circulate fiat money in this country, nor a need of any other form of inflation to restore prosperity. It is only necessary that we take our annually created agricultural wealth, establish it on legitimate and just price levels, based on American standards, and the problem of purchase money or credit available for trade will disappear.

Give cotton, wheat, corn, and the other basic agricultural products just prices in proportion to the capital and labor required to produce them, resulting in additional billions of dollars of credit or cash for the farmer, and the beginning of the end of our depression will come so fast as to be startling.

We will thus correct the condition that has deprived our marts of trade of billions of dollars of crop credit money that was and will be again (with minimum prices at law) just as acceptable in trade and banking circles as any gold of the realm.

II. Minimum Prices to be Paid the Producer for Certain Raw Clothing and Food Crops Necessary for United States Consumption

The Federal Farm Board, in collaboration with the Tariff Commission and the Department of Agriculture, shall determine the yearly minimum basic prices that shall be paid to the producer at the farm or patch or terminal center for such proportion of the following indispensable, nonperishable, raw clothing, food and feed crops, cotton, wool, flax, wheat, corn, rye, oats, rice, barley, buckwheat, and hay—to grade or to grade and staple, as are required for United States consumption.

When it comes to determining reasonable basic minimum prices the Clair plan contemplates making use of the same factors and of similar methods used in arriving at tariffs on nonagricultural products.

Under this plan minimum price stabilization is in effect an "inverted tariff" with the advantage of really giving price protection whether or not there is a surplus.

If the world price for wheat is 75 cents per bushel and we assess a 42-cent tariff, in effect the Tariff Commission has ascertained that the reasonable minimum price for wheat in this country is about $1.15. The plan suggests, however, that it is impossible to arrive at any reasonable annual determination of basic minimum prices (or tariffs) except in consideration of certain fundamental factors relating to the varying annual costs of production. (Not allowing, however, for the abnormal inflation in farm investments as have occurred to a large extent in recent years.)

The minimum price will have a normal and consistent relation to nonagricultural price indexes and to cost of living indexes as disclosed in our past experience over a period of normal years or perhaps in the pre-war relationship of such index numbers. Thereby stabilizing agriculture with other industry as to commodity price levels.

Careful research into agricultural costs has indicated that application of the minimum price determination principle to conditions normal in the past, would result in minimum prices of about 14 cents to 18 cents a pound for cotton, about $1 to $1.25 a bushel for wheat, about 70 cents to 90 cents a bushel for corn, and prices on other crops in proportion.

It is possible to have immediate execution of this plan under the Agricultural Marketing Act, through the instrumentality of the Farm Board working jointly with the Tariff Commission and the Department of Agriculture on the basis of facts currently in possession of these organizations, from which reasonably accurate minimum prices may be determined in a short period of time.

The principle of a yearly minimum basic price will raise the issue of price fixing. This issue is faced without evasion or subterfuge. The minimum price principle does not fix prices except to establish an irreducible minimum price on these products, based on average American production costs, below which the agricultural industry cannot survive in its economic relationship to protected rates and prices in other industries.

Setting the minimum prices on basic agricultural products will raise the issue as to increasing the price to the consumer. Let us see how much there is to this argument. In a 5-cent package of crackers there is wheat worth one eighth cent, and the retail price of 5 cents for this article is the same now as when wheat sold for over $1.65 a bushel. In a loaf of bread, at the present starvation price of wheat, there is wheat worth three eighths cent. The president of one of the largest baking companies in the country stated that they did not consider the cost of wheat as a deciding, or even important, factor in determining the retail price of bread. How about cotton? In an ordinary $2 shirt there is cotton worth three fourths cent at the bankruptcy price of 5 cents a pound.

We simply ask that the planter get 2 cents to 2½ cents for the cotton that is in a $2 shirt, and the wheat grower from 1¼ cents to 1½ cents for the wheat that is in a loaf of bread.

But suppose this were not so—have we any right to deprive the man who labors on the farm of a just and fair reward for his effort? Furthermore, what good does it do the working man in the city to have low prices, without the wage income to purchase these commodities? He then faces precisely the same situation that confronts his neighbor on the farm. It is this inadequate and unjust exchange in the value and distribution of the income from our annual created wealth that is the root of our present economic maladjustment.

The day that minimum basic prices are established on these basic farm commodities, we make a business man out of the farmer who heretofore has been our greatest gambler; billions of dollars will be added to the yearly farm income and prosperity will again return to this country.

These added billions of farm income will subsequently flow into industrial centers for the purchase of needed goods and will turn many times in the rehabilitation of our annual created wealth. Many more billions of dollars will be added to farm land valuations.

Further billions will be restored to the value of American securities, insuring an abundance of credit. The president of one of the largest national banks in Chicago, to whom this plan was presented, expressed the opinion that the day the plan was put into effect "loads" of credit would move to the country banks to take care of agricultural needs.

III. DETERMINATION OF UNITED STATES CONSUMPTION OF BASIC CROPS; PROCLAMATION OF THE NATIONAL PRORATE PERCENTAGE TO BE MARKETED

The Department of Agriculture, as now required by law, forecasts the crop production of these basic commodities. The organization necessary for this is now established and forecasts have been made with remarkable accuracy for years. Statistics are available on annual domestic consumption for all of these basic crops. The domestic consumption of the food and clothing crops is probably the most stable factor that we have in trade and commerce even during the depression years, and under normal conditions is almost constant.

The Farm Board shall proceed to calculate the percentage which United States consumption bears to total United States production in any one of the commodities included under the plan, and publicly proclaim at the end of each crop year, to the producers of each crop, the national prorate percentage which may be marketed for domestic consumption, together with the basic minimum prices for the various basic crops.

The national domestic prorate percentage, determined by the Farm Board, will include that part of the grain crop production that is used for stock feeding purposes and for general domestic consumption.

The annual prorate for any of these commodities can be adapted to any seasonal growing or marketing conditions. Preliminary prorates can be made amounting to 50 percent or 75 percent. Final and total prorates need not be made until the end of the crop season. The amount of these commodities in channels of trade will provide for any "lag." First year's domestic prorate should be on a very conservative basis to remove any unnecessary surplus from the market.

This national domestic proration and minimum price determination principle, by law, is feasible and capable of execution. Experience would indicate that no voluntary plan will prove practicable or workable. Experience with farm group movements indicates clearly that no plan is adequate that is not national in its scope and application, and enforceable by law with adequate penalties for violation.

IV. CONTROL OF MARKETING AND SHIPPING THROUGH EXISTING FEDERAL AGENCIES AND UNIFORM BILL-OF-LADING HANDLING, AT PRACTICALLY NO ADDITIONAL EXPENSE

The basic principles of the Clair plan are fundamentally simple and sound. The chief difficulty in the application of all agricultural marketing plans hitherto proposed has been the market control. The method must be simple to execute, inexpensive as to cost, and flexible enough to be convenient and effective under a wide variety of marketing conditions.

At the end of the crop year, the producer shall certify on a form provided, the number of acres of each crop cultivated, total production and yield per acre, of each specified grain and fiber crop. This production report remains on file at the producer's local post office and is a public record.

The post office will issue to each producer a Federal production-disbursement card, certifying the number of bushels or pounds that the producer is entitled to sell or ship for domestic consumption at minimum domestic prices, according to the yearly domestic percentage proration and minimum prices proclaimed for the corresponding year by the Farm Board.

Any surplus quantity over and above the domestic proration of each producer must remain impounded on the farm and used thereon, unless sold through a licensed dealer (direct buyers from the producers) for export.

Postmasters and R.F.D. agents (carriers) will be supplied with books of Federal marketing vouchers, in two colors. One color will authorize all movements of the specified crops off farms for domestic consumption—the other color to authorize the movements from the farm for export shipment. Also voucher for validity sale of hogs.

Any farmer having secured his production-disbursement certificate, and contemplating a sale, will present this certificate to the postmaster or R.F.D. agent, who will issue the proper marketing voucher for all or any part of the domestic prorate, or balance of the total production for export or for the sale of hogs.

In its entirety this market control is extremely simple. (1) An annual production report is made out by the producer. (2) A disbursement record (duplication of the production report) is issued at post office. (3) Federal marketing vouchers, both domestic and export. (4) Uniform bill-of-lading handling. (5) Export and domestic ledger record (instead of single record) at elevator. The work performed by the post office does not involve any judgment; is a simple recording procedure. Clerical work of railroads and at elevators is almost identical.

Marketing, so far as the farmer is concerned, is very simple. It is intended that the annual domestic prorate always be on a conservative basis as there is always sufficient of these commodities in the channels of trade to provide for any "lag." Ultimately there is always insured an absolute demand for the domestic prorate. Any producer can obtain, upon request, Federal domestic marketing vouchers covering the whole or any portion of his domestic prorate as soon as it has been harvested. Consequently this plan will result in the following practice: (1) Domestic grain will be stored on the farm; (2) in local elevators; or (3) in terminal elevators, held on account. The farmer will then have in his possession either a storage receipt or a Federal domestic marketing voucher, either of which document as soon as issued, for whatever number of units at the governmentally stabilized minimum price, will be accepted at face value at any bank as collateral for loans. Marketing vouchers and warehouse receipts under this handling are almost as safe as United States bonded warehouse receipts. Thus the farmer, assured of a steady future market at governmentally stabilized reasonable minimum prices, has financial accommodation the same as any other legitimate manufacturer and can market his product at will.

The uniform bill-of-lading accompanied by the Federal marketing vouchers will, in the opinion of traffic experts, establish a perfect barrier against export grain being used for domestic consumption, yet permit of very flexible operation. No extra work is involved and physical separation of the commodity is not necessary. The vouchers determine the physical separation at its final disposition. Ordinary buying and selling without physical movement does not require the presence of these vouchers. However, domestic and export quantities may be exchanged just the same as now through trading in marketing vouchers.

The marketing and shipping control method described above, with the 3-point handling between those involved (one of whom is a Federal agent) in the sale of any crop, is commonly known in business practice to be a difficult situation to negotiate with fraudulent intent.

It should be remembered, for example, that the surplus on wheat is only 10 percent or 15 percent of total production, and it is probable that very little export grain will move off farms except as bona fide export buying demand asserts itself. Any tendency toward illegal traffic would only be on the small export surplus in the channels of trade. If 10 percent of all this surplus was mishandled, which is unlikely, it would only factor 1 percent to 1½ percent of the total production. Probably an equal or greater degree of irregularity exists respecting any laws in this country (we cite as a particular example evasion of gasoline taxes) which has never been suggested as reason for not having them.

Cotton, where surplus (export) constitutes such a large part of the total, is the one commodity where bale identification makes it extremely simple to physically designate and keep separate domestic and export quantities in a thoroughly effective manner.

There are many reasons for assuming that in a farm community this law will be enforced and observed. It should be remembered that in a farm community each farmer is acquainted with the acreage yields and character of his neighbor. Farm hands, harvest hands, threshers, and others are intimately acquainted with each farm's operation. There is a limited opportunity for dishonesty as to crop total production because of the practical limitations within small bounds of acreage production and yield, which crop yields are largely a matter of common knowledge and are made a matter of public record.

The enforcement of any law in a community depends upon the sentiment that exists toward that law in the community and the moral sanction that it enjoys. It is hardly conceivable that an agricultural people, having passed through the vicissitudes of recent years, will have anything but a most wholesome respect for this law which is established for their own protection and preservation. Moreover, men who work and toil with a reasonable and just return for their effort are, in the vast majority of cases, honest.

V. Provisions of the Plan Can be Enforced Under Existing Agricultural Marketing Act by Farm Board as Now Constituted, Which Has Authority to Deal with the Agricultural Industry in a Manner Similar to Interstate Commerce Commission Control Over Railroads

The plan is legal under the Constitution of the United States. A complete legal brief on its constitutionality in its every aspect has been drafted. This brief also completely covers the Agricultural Marketing Act.

Congress, in the enactment of the present Agricultural Marketing Act of June 15, 1929, which created the present Federal Farm Board, and granted to it authority amounting almost to plenary powers, declared:

"It is the declared purpose of Congress, in passing this bill, to (1) place the industry of agriculture on an economic plane with other industries, (2) to minimize speculation, and (3) to stabilize prices."

This plan meets all three of the "declared purposes of Congress."

Establishing minimum prices on basic agricultural crops, on the same relative price level as other industries, accomplishes the first declared purpose. The minimizing of speculation by prohibiting marketing these commodities below their averaged cost of production is assured. National domestic proration and minimum price determination stabilizes agricultural prices within reasonable limits, so as not to cause "undue fluctuations in the domestic price" as was further declared in the Agricultural Marketing Act to be one of the purposes of the bill.

The acts and actions required under this plan, when analyzed, are exactly the things we have been doing in principle in industry, other than the agricultural industry, for years.

PRESENT MARKETING SYSTEM IS CONFISCATORY

In the broadest sense, the transportation, trade and exchange, or sale of commodities between the industrial sections of our people and the agricultural sections of our people is interstate commerce. In the case of the basic agricultural commodities, markets in which they are sold are public markets entirely without the control or representation of agricultural interests and should be subject to some kind of regulation for the public good.

Such uncontrolled public marketing, for the basic agricultural products of this Nation, has resulted in the establishment of prices so far below cost of production as to have brought on bankruptcy for agricultural producers, amounting to confiscation of property; and it was this palpable error that Congress desired to correct by the passage of the Agricultural Marketing Act.

We have fixed rates at law for utilities and railroads. These rates comprehend both the minimum and maximum principles of price determination—a maximum rate or price that protects the public, and a minimum rate or price that protects the capital investment and income therefrom.

We fix tariffs at law which, in effect, establish the minimum price at which the domestic manufactured product is sold. If a minimum price for basic agricultural products, which protects the domestic price against the application of the world foreign price on these commodities, is unconstitutional, then the tariff which protects domestic production from foreign production and importation is likewise unconstitutional. For either of these issues, the legal answer under constitutional law must be the same.

During the war we arbitrarily fixed prices on certain commodities, at law. Among them wheat was fixed at $2.20 a bushel (two times the normal pre-war price) and steel at a price many times the normal pre-war price. It it is constitutional to do such things at one time, it is fully as constitutional at another time, particularly when on a far more equitable basis.

Finally, this plan is constitutional because it involves no discrimination or injustice between all producers in marketing or selling basic agricultural crops. The minimum prices, at which these various crops may be sold, are determined by an impartial fact-finding body and are based on the average relative cost of producing these different commodities, plus a fair profit. The application of this plan is confined to the basic indispensable, nonperishable clothing and food crops, the manufacture or production of which must be protected and encouraged if we are to survive.

VI. Tariff Protection of the American Minimum Prices

Obviously, foreign cotton or grains are not needed in this country with our agricultural industry in its present difficult situation.

It is obvious that, with our own carry-over, we need no foreign wheat; that, regardless of tariff, so long as we produce a surplus without price regulation on the national consumption, the price of the small percentage of surplus would continue to regulate the price of the wheat domestically consumed.

The plan provides that there shall be no grains carried on the common carriers of our Nation for domestic consumption, unless it be domestically produced grain and that no miller shall grind into flour any wheat for domestic consumption that is not American-produced wheat which has been certified by the American producer thereof as a part of his proration under the law; or else that a sufficient tariff shall be maintained so as to effectively prohibit foreign grains and grain products from coming into this country below a certain price that will be probably not more than 10 percent higher than the American minimum price to prevent undue price inflation. In connection with cotton, wool, and flax, the same principle as to tariff would apply.

VII. Removes United States Government From the Business of Trading in Agricultural Products, Restores the Business of Handling These Commodities to Normal Channels of Trade, but Forbids Trade Below Production Costs

Under this plan the Federal Farm Board would divest itself of the $500,000,000 revolving fund. The Federal Farm Board, by proceeding to sell its present holdings in wheat and cotton at the stabilized minimum prices and by disposing of not more than 3 percent of such holdings each month in the domestic market, could recover most of its losses. The normal functions of the Board of Trade, the Cotton and Livestock Exchanges and the farm cooperatives, are retained, and no change is made in the present marketing methods of cattle, dairy products, and other perishable farm commodities.

There is every reason to believe that low prices for other farm products and other basic commodities are a sympathetic reflection of the general decline in prices. With the stabilization of these basic products and the return of prosperity, other agricultural prices will reflect a decided improvement.

Hogs sold will be covered by Federal market voucher given to purchaser, and all grain fed to hogs by the producer thereof is recorded and deducted from the producer's annual domestic prorate disbursement when hogs are sold. If producer's domestic prorate is totally disbursed the sale of hogs will not be validated until next annual prorate. We know within close limits the average amount of grain necessary to fatten 100 pounds of hog. Common experience indicates what the reasonable minimum feed to hogs, under given conditions, should be. Here, again, the common honesty of the average farmer will insure a reasonably accurate result. Any small difference ultimately involves only a fraction of a percent of the total surplus over the domestic prorate on grains and be insignificant in the total result.

The present United States Government regular hog census will be made semiannually and bulletined to post offices. It follows that no producer will feed stabilized domestic wheat to hogs at the domestic value. The plan thus stabilizes both the production and the price of hogs at the same time. The setting of any minimum price is neither contemplated nor necessary.

It is interesting to note here the experience of France with a similar agricultural-industrial equation. France is probably the most self-sustained nation of Europe, and one of the wealthiest. Economic conditions are quite similar to our own. The French nation is in sound financial condition and with less unemployment than any other of the large nations. Does the secret of the difference between conditions in the United States and France lie in the fact that France has always been solicitous of her agricultural class and has taken every precaution for its welfare? The national government and the municipalities control public marketing (especially on perishables) in a manner unknown in this country. The agricultural population of France is the most prosperous agricultural people in the world.

A high tariff on wheat was enacted in France in 1929 to prevent dumping of foreign wheat on the French market. A minimum price of $1.50 per bushel, for French grown wheat, was established by law. The net subsequent result has been that French-grown wheat has sold nearer the high tariff level price of $1.81 a bushel than the $1.50 price level, and other agricultural products are on a similar high level. While setting this high price on wheat may have been advantageous to France in encouraging domestic production, it would appear, under normal circumstances, that French agricultural products are pegged too high. It is just as wrong in principle to have the price of agricultural products too high in proportion as it is to have them sold too low in proportion, although the results, from excessively low prices as we have had in this country are extremely disastrous.

VIII. No Positive Provision is Made for Restricting Production of the Individual or of the Nation at Large, Because This is Both Unnecessary and Within Limits Undesirable

Highly variable, favorable or unfavorable, growing conditions make it, except on an individual voluntary basis, impracticable to control surplus through regulation of production. Because of these variations in production we must raise more than enough of food and clothing crops in order that we have a sufficiency of these commodities. It would be unsound not to raise a surplus. Any surplus constitutes protection for us. The income for the sale of this surplus for export, however low the price may be, is beneficial to the income of the Nation, if some farmers choose to raise the surplus.

The plan provides that if any producer of these commodities makes affidavit (on prescribed form which will be a public record on file at his post office) as to the average production and acreage sown to these basic crops on any farm during the last five years (1927–1932) which filed statement will be used as a composite basis on acreage and production to credit the producer for curtailment of crops in any year (sworn to in affidavit form) below the 5-year average. This adjustment shall be made by adding to the actual production of that year the percentage of curtailment before calculating and applying the national domestic prorate;

provided, however, that the actual yield per acre does not exceed the yield declared in the 5-year average. In effect this provides that any producer may elect, at his own option, to raise crops for domestic consumption only.

This provision takes away the motive for surplus production on the part of a very great percentage of producers and will constantly tend to bring our actual production in line with our domestic consumption. In the event any shortage of production develops, this provision can be rescinded any one year by proclamation.

To those who say there may be some minor inequalities under this plan, we answer in the language of Justice Holmes in a decision by the United States Supreme Court:

"It is the usual last resort of constitutional arguments to point out shortcomings of this sort. But the answer is that the law does all that is needed when it does all that it can, indicates a policy, applies it to all within the lines, and seeks to bring within the lines all similarly situated so far and so fast as its means allow."

This plan will insure 95 percent of all we can ever hope to accomplish in the equitable control of production and marketing of basic agricultural crops.

IX. Surplus Production of These Basic Agricultural Commodities, over the National Domestic Prorate, Shall be Impounded on the Farm or Sold for Export

Surplus is sold for foreign market through regularly licensed dealers who can accept such products for export sale under definite regulations. We are not concerned with the price the farmer gets for any portion, or all, of the surplus.

The plan provides that a producer with a surplus any one year, may make affidavit as to the curtailment of acreage and production in the following year, in proportion of his surplus. Such surplus shall then be added to the following year's declared production by the producer thereof, against which adjusted figure the annual domestic prorate shall apply.

X. Accomplishes Economic Equality Between Basic Agriculture and Other Industry

There is imperative need for restoring prosperity to the agricultural industry, as the first ordered step forward to prosperity for other industry. No thinking person will deny the fact that 30-cent wheat and 5-cent cotton on the farm or patch represents bankruptcy for agriculture.

Agriculturists are the only producers or manufacturers whose products are sold regardless of the cost entering into their production and at market prices in which they have no voice. The agriculturists are also placed in the position where they must buy supplies they need from other industries at prices that are fixed at higher levels than their own, and without any consideration as to agriculture's ability to pay. Such a situation is a manifest absurdity—uneconomic—unjust—ruinous for the country. This vicious system would wreck any business attempting to operate under similar conditions, the same as it has wrecked the business of agriculture.

"For selfish reasons which can be ascribed about equally to industry and politics, we have created an exclusive tariff barrier around this country behind which the industrial half of our people are free to make a profit out of their activities, while, at the same time, the unprotected other half, the agricultural half, is held in bondage not only to the first half, but also the the competition of the world, as well." (Owen D. Young, Collier's Weekly, July 1932.)

"The economic problem of this country is the problem of agriculture and labor. The farmer and the worker, and their families, comprise more than three fourths of our population. It is they who produce our raw materials and change them into finished products with the aid of machinery. It is they who buy and use the products of the machine; it is they who must also provide purchasing power if there is any purchasing power.

"The civilization which pauperizes agriculture, which exploits the farmer, commits suicide. It is doomed. An economic system which pauperizes labor, which creates a situation whereby we have 10,000,000 men unable to find employment, is on the way to economic suicide."—(Senator Arthur Capper, Kansas Farmer, June 1932.)

"The most superficial study of the statistics reveals that while industry reached a new peak of prosperity between 1920 and 1929, the farmer met with one financial set-back after another; that he was becoming poorer and poorer; that the disaster of 1920 was followed by an even greater financial catastrophe in 1930.

"Between 1920 and 1930 more than 450,000 full owners lost their farms; the value of farm property dropped $20,000,000,000 and tenancy increased by more than 200,000. But these figures tell only part of the story, because the disaster that overtook agriculture in those 10 years was merely a prelude to what has happened since 1930."—(Bernhard Ostrolenk, New York Times, September 1932.)

This plan places the industry of agriculture on a plane with the utility interests, the railroads, and other industrial manufacturers on whose commodities rates or protective tariffs are in vogue, as described in other sections of this paper.

This plan places the industry of agriculture on a plane with labor now aided through immigration laws, compensation laws, restrictions on working hours, minimum wages, and other legislation.

This plan establishes a reasonable sale price for basic agricultural commodities. The resulting farm income should be adequate to purchase the needs of the farmer and his family in the variety and in the quantity that represent decent standards of American living and life.

In thus handling the subject of stabilized minimum prices for basic agricultural commodities, we have established a method which will never again permit the tremendous disparity which has occurred in our economic balance between agriculture and industry. This maladjustment between agriculture and other industries in the present era has been the primary cause of the present economic collapse.

It has been this factor that has made the present depression of such long duration, and that to date has been the continuing cause that must be removed, before any fundamental improvement in our economic situation can be made.

Business men, financiers, and manufacturers are now beginning to realize that the continuing cause of our present profound economic depression lies in the collapse of agricultural values and income. It is plain that business and finance cannot prosper without creating a degree of stability for the welfare of some 53,000,000 rural Americans, whose income has been dried up and whose normal purchasing power represents approximately one third of the total retail trade of the Nation.

Just as soon as thoughtful consideration is brought to bear on this question of the protection of our basic agricultural industry, it is apparent that the principle of tariff protection is involved but in a slightly different form than we have been accustomed to see it applied.

Our tariff laws are ineffective in the case of basic agricultural commodities, since we import none of these commodities (with minor exceptions) and we should, therefore, protect our domestic market against foreign market prices by the establishment of a reasonable minimum domestic price. This amounts to an inverted tariff.

Many suggestions have been made to correct this depression. Some advocate going back to the horse-and-buggy age by deflating everything in the United States on a par with agriculture. Some claim the trouble is due to the machine age and our marvelous industrial production, which has thrown our people out of work, yet the automobile industry alone employed more people than have been replaced by machinery in the whole United States in the last 25 years.

Some will oppose making any intelligent effort to change conditions, because they think natural causes will gradually rectify the situation and that the law of "supply and demand", the never-failing panacea of superficial thinkers, will in some way operate. Others believe that in some perfectly simple manner we can lift ourselves by our boot straps, with over 10,000,000 people out of work, 15,000,000 workers on greatly reduced hours and income, and our whole rural population prostrate with mortgages, high taxes, or greatly reduced income. We are to go on with the enormous drains on Government and private funds for charity and other relief measures.

It will be argued that we are interfering with open-market procedures. To this we reply: It is time that some limits were put on speculation in this country and the human misery resulting therefrom. Others will say this is class legislation. If it is class legislation to insure justice to a group of our people who are slowly but surely being made paupers through our folly and ignorance, then, we say, let us have such legislation.

For such optimism and faulty reasoning there is no answer. We simply offer a constructive plan that intelligent, honest-thinking men and women will be able to understand and support. To those who object to any planned effort to restore prosperity we should like to say that if something constructive is not done to put buying power in the hands of the farmer and the working classes of this country there will be no general recovery from our present situation and it is probable that before mid year, 1933, a fresh crop of bankruptcies will start through our business world, which can do no one any good.

We doubt if the farmers of this country are interested in any radical or unsound legislation for any purpose. There is no radicalism in this country worth the name. There is no general desire to change our form of government or the capitalistic form of our society. The farmers and the working men of this country are not radicals but discontented and protesting citizens who may feel that a few greedy or over ambitious men plus incompetent public officials have deprived them of home or land, savings or livelihood. They have a right to protection and to security, and it is the duty of honest business men to try and solve this problem from the wealth of our experience and knowledge.

The successful operation of the Clair plan is assured by the fact that we consume the vast majority of our basic agricultural production and can, therefore, absolutely control the minimum price for domestic consumption on the stabilized (gold) basis.

The principle of national domestic proration and minimum price determination on basic agricultural products will be found a fundamental principle that will have a constant application to our industrial-agricultural economic equation in the future. The execution of this principle or control will level considerably what we have previously termed economic cycles and mitigate directly against extreme effects of either price inflation or price deflation in the future.

There is no question that we should establish this fundamentally sound and basic agricultural stabilization plan. It is the first logical step toward the economic rehabilitation of our Nation. We content that the United States, as the richest and most self-contained Nation in the world, has no justification for the tremendous fluctuations which occur in our economic cycles and has no excuse for the deplorable economic situation we are in today; or for continuing in this condition; unless we are bankrupt both in intelligence and in leadership.—C. B. R.

LEGAL BRIEF AND ARGUMENT ON THE CLAIR PLAN FOR FEDERAL MARKET CONTROL THROUGH ANNUAL NATIONAL DOMESTIC PRORATE AND MINIMUM PRICE STABILIZATION OF THE BASIC, INDISPENSABLE, NONPERISHABLE FOOD AND CLOTHING CROPS OF THE UNITED STATES

(By the Federal Farm Board)

SUMMARY OF ARGUMENT

There is a perfect analogy in principle between what the Clair Plan provides for and what has been done repeatedly in the country heretofore, under conditions in nowise different than those existing with our agricultural problem. The Plan is basically constitutional, however, on five broad grounds cited below:

1. Impairment of obligation of contract is not involved, on account of the right of the Federal Government to regulate commerce and establish tariffs, rates (prices) for the common good. Annual minimum price on basic agricultural commodities is in principle an inverted tariff.
2. No discrimination is involved as all indispensable, nonperishable, basic agricultural commodities are included, and inasmuch as all producers are treated in exactly the same manner.
3. No deprivation of property without due process of law. It protects the property and income of farmers in forbidding the sale of their products for less than the average cost of production, in a market in which they have no voice.
4. "The police power is not subject to any definite limitations, but is coextensive with the necessities of the case and the safeguard of the public interests" (*Camfield* v. *United States*, 167 U.S. 518).
5. Because the right of the Government to establish the Interstate Commerce Commission, the Federal Farm Board and very specific commerce and trade regulations, tariffs, rates (prices) under the doctrine of sovereign and implied powers and for the public interest has been repeatedly upheld by Supreme Court decisions.
6. Because of their scope and importance, lands devoted to the production of basic, indispensable, agricultural products are a public utility that should be subject to control, and the marketing of these products should be subject to regulation.

By a statute of Oklahoma, cotton gins are declared to be public utilities and their operation for ginning seed cotton to be a public business. Grain elevators were held to be clothed with a public interest and an Illinois law fixing maximum charges was upheld. There is legislative power to fix the prices of provisions or clothing when an emergency exists. (*Tyson & Bro.* v. *Banton*, 273 U.S. 418.)

A consideration of the exact bill drawn by Francis J. Clair to amend the Agricultural Marketing Act, of June 15, 1929, to the end that the declared purpose of Congress in enacting that measure may be carried out, and for other purposes.

A BILL To amend the Agricultural Marketing Act of June 15, 1929, to the end that the declared purpose of Congress in enacting that measure may be carried out, and for other purposes

Be it enacted, etc., That it is now solemnly reaffirmed and declared to be the continuing policy of Congress to more definitely place the industry of agriculture on an economic plane with other industry: To minimize speculation and to stabilize prices in order that the farmers and producers be assured a fair minimum price on such an amount of nonperishable food products as are in the opinion of the Farm Board needful to domestic consumption without regard to surplus crops.

SEC. 2. Surplus to be defined as prescribed in paragraph (b) of section 1 of Agricultural Marketing Act of June 15, 1929.

SEC. 3. Section 6 of the Agricultural Marketing Act is hereby repealed and the Federal Farm Board is hereby forbidden to further engage in the purchase of any agricultural product under its present powers, nor is it to make further new purchases or loans from its present funds, to make purchase of, or leases for, any new facilities for, or in continuance of, its present system of stabilization.

SEC. 4. Nothing herein, however, is to be construed as in anywise to limit its powers to continue to protect its present properties or commodities acquired under this Act. To make good its commitments or to efficiently and orderly liquidate and market its present holdings of agricultural products, except that it shall not engage to sell in domestic markets, for consumption within the United States, more than 3 percent of the same for delivery within any one calendar month.

SEC. 5. The Farm Board is hereby authorized to establish a fair minimum price based upon production costs on the nonperishable crops of cotton, wool, flax, wheat, corn, rice, oats, barley, buckwheat, hay, and hogs on such amounts as is deemed necessary in the opinion of the Board of domestic consumption. No price, however, is to be established on what is with true purpose of this Act defined as surplus.

SEC. 6. * * *

SEC. 7. The Farm Board is hereby authorized to allocate to each individual producer of these products and proclaim by bulletin that he may sell and/or otherwise ship, within the 12 months succeeding its actual harvest over the railroads and waterways of the United States only such proportionate part of his total yield of the products mentioned as that percentage which the total domestic crop production (forecast by the Department of Agriculture) bears to the total domestic consumption. To that end it must be evidenced on the shipping papers in statement either under oath or affirmation that the lading being carried was the producer's allotment under the revision of this Act and that he received at least the minimum price provided by law.

SEC. 8. But nothing shall be construed as limiting any producer, agent, or dealer in any of the above-named products either in the raw or manufactured shape free, untrammelled, unhindered transportation to and from both domestic and foreign shipping points: *Provided, however*, That it be evidenced upon the shipping papers that the same is eventually destined for export and not for consumption within the United States.

SEC. 9. To the end that the solemn and declared purposes of Congress may be carried out, the Farm Board is empowered to license at a fee not in excess of $1 any purveyor of the above products (excepting the actual producer thereof) and it shall be unlawful for any licensee to purchase, transport, or otherwise traffic in any of the articles specified in section 5 unless the same be domestically produced, and at a price no less than that proclaimed by the Farm Board. It shall be unlawful for any producer or his agents to dispose of any of the products for domestic consumption within the United States in excess of his legal portion and allotment so proclaimed by the Farm Board.

SEC. 10. Any person, individual, partnership, association, or corporation that with or without license intentionally carries on a business for which this license is required or makes purchase, trade, or barter therein in violation thereof shall be deemed guilty of a misdemeanor and upon conviction fined not in excess of $1,000 or 1 year imprisonment, or both. The Farm Board is empowered to formulate regulations for carrying out the provisions of this Act but must make no regulations respecting enforced acreage reduction or restrictive rights of property. To the end that all our peoples be assured an abundant supply of foodstuffs and fiber at reasonable price based upon cost of production to the United States producers thereof and for such amounts as are necessary to our national life.

2. A consideration of the Agricultural Marketing Act itself with more particular attention to the declared purpose of the act, the duties of the Federal Farm Board and its expressed, implied, and special powers which will be discussed in section 2 hereof which will quote the exact language of the Agricultural Marketing Act. This is most material and relevant in clarifying the Clair plan.

EXCERPTS FROM THE AGRICULTURAL MARKETING ACT

DECLARATION OF POLICY

SECTION 1. (a) That it is hereby declared to be the policy of Congress to promote the effective merchandising of agricultural commodities in interstate and foreign commerce, so that the industry of agriculture will be placed on a basis of economic equality with other industries, and to that end to protect, control and stabilize the currents of interstate and foreign commerce in the marketing of agricultural commodities and their food products—

(1) By minimizing speculation.

(2) By preventing inefficient and wasteful methods of distribution.

* * * * * * *

(4) By aiding in preventing and controlling surpluses in any agricultural commodity, through orderly production and distribution, so as to maintain advantageous domestic markets and prevent such surpluses from causing undue and excessive fluctuations or depressions in prices for the commodity.

(b) There shall be considered as a surplus for the purposes of this act any seasonal or year's total surplus, produced in the United States and either local or national in extent, that is in excess of the requirements for the orderly distribution of the agricultural commodity or is in excess of the domestic requirements for such commodity.

(c) The Federal Farm Board shall execute the powers vested in it by this act only in such manner as will in the judgment of this board, aid to the fullest practicable extent in carrying out the policy above declared.

GENERAL POWERS OF BOARD

SEC. 4. The Board—

* * * * * * *

(3) Shall make an annual report to Congress upon the administration of this act and any other matter relating to the better effectuation of the policy declared in section 1, including recommendation for legislation.

(4) May make such regulations as are necessary to execute the function vested in it by this act.

SPECIAL POWERS OF BOARD

SEC. 5. The Board is authorized and directed—

(1) To promote education in the principles and practices of cooperative marketing of agricultural commodities and food products thereof.

* * * * * * *

(3) To keep advised from any available sources and make reports as to crop prices, experiences, prospects, supply, and demand, at home and abroad.

(4) To investigate conditions of overproduction of agricultural commodities and advise as to the prevention of such overproduction.

AVOIDANCE OF DUPLICATION.

SEC. 13.

* * * * * * *

(c) The President is authorized, by Executive order, to transfer to or retransfer from the jurisdiction and control of the board the whole or any part of (1) any office, bureau, service, division, commission, or board in the executive branch of the Government engaged in scientific or extension work, or the furnishing of services, with respect to the marketing of agricultural commodities, (2) its functions pertaining to such work or services, and (3) the records, property, including office equipment, personal, and unexpended balances of appropriation, pertaining to such work or services.

3-A. THE CLAIR PLAN VIOLATES NO PROVISION IN THE CONSTITUTION PROHIBITING IMPAIRMENT OF THE OBLIGATIONS OF CONTRACT—IT IS NOT ILLEGALLY IN RESTRAINT OF TRADE

(See also section 10 of this brief and argument.)

It is a misapprehension that the Clair plan is in restraint of trade. Rather it is in furtherance thereof through the assurance it gives of an American market for the products of industry, the mines and the factories, through a guaranty of fair unrestricted trade at a price predicated on production costs.

Is the Clair plan an agreement to restrict free competition in the production or sale of any commodity produced by agriculture? No. If it were it is within the prohibition sustained in *Bingham* v. *Brands* (119 Mich. 255; 77 N.W. 940). In nowise does it affect free competition in domestic production. How then does it affect free competition in the sale of products produced by agriculture?

The essence of the law is injury to the public. It is not every restraint of competition and not every restraint of trade that works an injury to the public; it is only an undue and unreasonable restraint of trade that has such an effect and is deemed to be unlawful. (*U.S.* v. *Trenton Potteries*, 273 U.S. 392.)

REGULATION OF CHARGES, RATES, AND PRICES

(8 Cyc. 1117–1118)

When a business is of such a nature as to be affected with a public interest, the State may require that the charges be reasonable and may adopt measures necessary to secure that result. (*Dillon* v. *Errie*, 19 Mic. N.Y. 116, 43 N.Y. Suppl. 320; *Munn* v. *Ill.* 94 U.S. 113, 24 L.Ed. 77; *Frost* v. *Corp. Comm.* 278 U.S. 515.)

The railroads (those whose rates are fixed) have a right to require they be just and reasonable and an arbitrary provision is a deprivation of property without due process of law. And while the determination of rates is primarily for the legislature, such determination cannot be made so conclusive as to prevent the matter from becoming subject to judicial inquiry.

See definition "Reasonable." As to tests to be applied to determine reasonableness of rate regulations see *Smyth* v. *Ames* (169 U.S. 466, 18 S.Ct. 418, 42 L.Ed. 819); *Cotting* v. *Kansas City Stock Yards* (82 Fed. 850).

It specifies a minimum price. Does this permit competition?

See 8 Cyc. 406, Competition.

See Competition Distinguished from Abridgment under Abridgment (1 Cyc. 197, Note 25).

Due Process of Law (8 Cyc. 1080), is such an exertion of the powers of Government as the settled maximums of the law permit and sanction and under such safeguards for the protection of individual rights as those maximums prescribed for the class of cases to which the one in question belongs. It has also been defined as a law which hears before it condemns; which proceeds upon inquiry, and renders judgment only after trial.

There is legislative power to fix the prices of provisions or clothing when an emergency exists (*Tyson* v. *Banton*, 273 U.S. 418).

3-B. THE CLAIR PLAN VIOLATES NO PROVISION OF THE CONSTITUTION. IT CALLS FOR NO DEPRIVATION OF PROPERTY WITHOUT DUE PROCESS OF LAW

Deprivation of property is used in a broad sense in the constitutional guaranty forbidding the deprivation of property without due process of law and has received a liberal construction analogous in spirit to that applied to "life and liberty." All rights to the use, title and possession of private property are held subject to the right of the legislature to control them, according to the established principles of our jurisprudence, so far as may be necessary for the public welfare, the only limitation upon the legislative power being found on specific and applicable constitutional restrictions. (See *Boston Beer Co.* v. *Mass.*, 97 U.S. 25, 24 L.Ed. 989; *Boyd* v. *Ala.*, 94 U.S. 645, 24 L.Ed. 302; *Bartemayer* v. *Iowa*, 18 all (U.S.) 129 L.Ed. 929; *Scott* v. *Sandford*, 19 How. (U.S.) 393, 15 L.Ed. 691 (Missouri Compromise).)

Congress may pass laws directly or indirectly impairing the obligation of contracts. (*Evans Snyder Buel* v. *McFadden*, 105 Fed. 293, 44 C.C.A. 494; 58 L.R.A. 900.) Likewise cases cited under section 7 of this brief and in note 12, 8 Cyc. 930.

The provision in the Constitution which forbids a State to pass any law impairing the obligation of contracts does not protect contracts made after the hostile law. (*2C, etc., R.* v. *Augusta Cotton*, 105 Ga. 486, 30 S.E. 891; *August National Bank* v. *August Cotton, etc.* 104 Ga. 403, 30 S.R. 888; *Denny* v. *Bennett*, 128 U.S. 489, 9 S.Ct. 134, 32 L.Ed. 491; *Edwards* v. *Kearsey*, 96 U.S. 595, 24 L.Ed. 793.

Individuals must necessarily contract with full knowledge that the legislature may draw at any time from the vast reservoir of power, defined and undefined intrusted to it.

3–C. There Is No Unreasonable Discrimination Against Any Kind of Property Under the Clair Plan

(See sec. 10 of this brief)

Can the sovereignty act with reference to the sale of goods? Has the Nation a power to restrain sales which the individual does not have? It is not necessary that a statute regulating the sale of goods shall embrace all kinds of property either personal or real but is sufficient if the selection of the articles and the property is based on reasonable and just grounds of difference, and the prohibition comprehends all kinds of property within the relations and circumstances which constitute the distinction, extends equally to every citizen and all classes of citizens and denies to no one a privilege which another is permitted under like circumstances to exercise or employ. (*Booth* v. *People*, 186 Ill. 43, 50 L.R.A. 762.)

4–A, 4–B. The Development of Our Constitution—Defects of the Confederation—The Virginia Resolution

Any review of the development of our Constitution involves contemplation of the fundamental defects of the Articles of Confederation as submitted by Benjamin Franklin, August 21, 1775, and subsequently from time to time amended. Whether in ancient Greece or modern Europe all former confederacies of independent states had the same defects as our own, which overthrew the confederation of 1781. Disobedience of the laws of the union must either be submitted to by the union to its own disgrace or enforced. Our confederation gave to Congress only the exclusive cognizance of our foreign relations, the rights of war and of peace and to make unlimited requisition of men and money. The Federal Governments of Greece, Switzerland, Germany, and Holland afford melancholy examples of destructive civil wars arising from disobedience of the separate members, says volume 1 Kent's Commentaries on page 213. The weakness of our own confederation was pointed out by Hamilton in a letter to James Dunne, September 3, 1780 (sec. 1, Hamilton Works (Lodge edition) 203). In May, 1785, Congress failed to act on the report of a committee recommending an alteration of the first paragraph of the ninth of articles of confederation so as to enlarge the powers of Congress, especially as to trade, and the Legislature of Virginia, on January 21, 1786, appointed commissioners to meet such commissioners as might be appointed by our States to do what we are concerned with in behalf of the Clair plan.

Quote the call of the Virginia Legislature of January 21, 1786:

"To examine the relative situation and trade of said States; to consider how far a uniform system in their commercial regulations may be necessary to their common interest and their permanent harmony, and to report to the several States such an act relative to this great object as when unanimously ratified by them will enable the United States in Congress effectually to provide for the same." (Virginia Code 1787.)

4–C. The Intent of the Constitution

The Virgiria resolution is vital because the intent of the framers of a constitution when ascertained will prevail over any part of the law. The intent is to be ascertained not alone by considering the words of any part of the instrument. The Virginia Summons for a constitution, aids historically, in ascertaining the reason for the constitution, the general purpose of the whole, in view of the evil which existed, calling forth the framing and adopting of the instrument and the remedy sought to be applied, and when the intent of the whole is ascertained; no part is to be construed, so that the general purpose shall be thwarted, but the whole is to be made to conform to reason and good discretion.

Construction must be in favor of prospective operation unless it is already shown some provision must operate retrospectively.

To ascertain the meaning of a constitution, appreciating the existing evil which called forth its framing; the first resort in all cases is to the natural signification of the words used, in the order and grammatical arrangement in which the framers placed them. If thus regarded, and the words used convey a definite meaning which involves no absurdity and no contradiction between parts of the same writing, then the meaning, apparent on the face is the one we are at liberty to say was intended to be conveyed.

But we more clearly appreciate the significance of the Constitution through the lens and prism of an understanding of the evil which existed; calling forth its framing and adoption, which was the weakness of the articles of confederation which the Virginia resolution clarified.

Let us emulate the prudence of our fathers and harken back to the historic phrasing by old Virginia of the summons of the States to adopt a new constitution, in view of the evil which exists today as then, when Virginia called upon her sister States:

"To examine the relative situation and trade of said States, to consider how far a uniform system in their commercial regulations may be necessary to their common interest and their permanent harmony."

To this end the Constitution was summoned and conceived. To this purpose the Clair plan is dedicated; responsive to that historic summons.

On the first Monday in September, 1786 the commissioners of only four States besides Virginia responded: Delaware, Pennsylvania, New Jersey and New York meeting at Annapolis. There a report drawn by Mr. Hamilton was concurred in, recommending the commissioners from all the States meet the second Monday in May following, and on May 14, 1787, a convention of delegates from all the Original Thirteen States except Rhode Island met in Philadelphia. On September 14, 1787, a form of constitution was unanimously agreed upon and the rest is history.

Of two constructions of the Constitution, either of which is warranted by its purpose and its terms, that is to be preferred, which best harmonizes with the correction of the manifest evils which called it forth; as reflected in the general tenor and spirit of the instrument. Questions of expendiency and sound public policy are not to be overlooked in such cases of construction. Since we find in other fields the expediency of price fixation or stabilization of life's indispensables for the common welfare, though in restraint of trade, as a matter of convenience and necessity we have evidence of a sustained sound public policy, which cannot ignore price stabilization of life's necessities and indispensables under the Constitution as called for by the Clair plan.

In launching the Clair plan we are meeting first that emergency which called into being the Constitution itself, urging the uniform system of protection and stabilization in the commercial regulation of all industries, agrarian and urban; necessary to their common interests and permanent harmony as urged by the Virginia Resolution.

An adherence to the letter and a violation of the spirit of the instrument ought not to be tolerated or supposed possible. (*Landry* v. *Klotman*, 13 La. 345.)

The nature and objects of the particular powers, duties, and rights may be considered with all the rights and aids of contemporary history and the words given just such operation and force, consistent with their legitimate meaning, as may fairly secure and attain the ends proposed. (U.S.C.A. Const. pt. 1, p. 56.)

In any construction of the Constitution it is reasonable and proper to follow the line of cleavage which the Congress intended to establish, as gathered from the contemporaneous history of events attending the consideration and passage of the law. (*Coke* v. *I. C.*, 255 F. 190.)

The Constitution is to be construed in the sense in which the words and terms used were understood by those who made and those who adopted it. (U.S.C.A. Const. pt. 1, p. 56, *Ex Parte Bain*, 121 U.S. 12.)

5. IMPLIED POWERS OF THE UNITED STATES

It is not necessary for the exercise of a power by the Federal Government that it should be expressly granted in the Federal Constitution, or that it should be "Clearly and directly traceable to some one of the specific powers granted."

Any number of the powers granted, or all of them, may be combined and considered together, and any power necessary to carry out the general purposes of any or all of the powers specified, will be considered granted by implication, and as an incidental means of executing the powers specifically granted.

Know v. *Lee* (12 Wall. (U.S.) 457, 20 L. Md. 287).

"That other powers than those expressly granted are conferred by implication is well settled. Under every constitution the doctrine of implication must be resorted to in order to carry out the general grant of power.

"A Constitution cannot from its very nature enter into a minute specification of all the minor powers naturally and obviously included in, and flowing from, the great and important ones which are expressly granted. It is therefore established as a general rule, that when a constitution gives a general power or enjoins a duty, it also gives by implication; every particular power necessary for the exercise of the one, or the performance of the other" (*Field* v. *People*, 3 Ill. 79, 83).

Therefore, where the means for the exercise of the granted power are not given, the means are implied.

The powers confided to the General Government are to be taken as broadly granted and as carrying with them, authority to exercise those powers and to pass those acts, which may be reasonably necessary to carry them into full execution; and are not to be nullified, by an astute, verbal criticism; without regard to the grant, aim, and object of the instrument (U.S.C.A. Const. pt. 1, p. 52).

6. RELEVANT SECTIONS OF ARTICLE 1, SECTION 8, OF THE CONSTITUTION

Congress shall have the power to provide for the common defense and general welfare.

So for years the Government has been assuming to direct industry through tariffs now protecting 25,000 lines of business by its 25,000 tariff schedules, and other rate stabilization by law on a production cost plus basis.

To regulate commerce with foreign nations and among the several States and with the Indian tribes.

To coin moneys and fix the standard of weights and measures.

To make all laws necessary and proper for carrying into execution the foregoing powers and all other powers vested by this constitution in the Government of the United States or in any department or office thereof.

7. ARTICLE I, SECTION 10, OF THE CONSTITUTION, IMPAIRING CONTRACT OBLIGATIONS

"No State shall pass any law impairing the obligations of contracts." (No. 8 Cyc. 773.) By the weight of authority this does not apply to the United States. (*George* v. *Concord*, 45 N.H. 434; *Fitzgerald Grand Trunk Railway*, 63 Vt. 169, 22 Atl. 76, 13 L.R.A. 70. *Sinking Fund Cases*, 99 U.S. 700, 25 L. Ed. 496; *Bloomer* v. *Stollery*, 5 McLean U.S. 158; 3 Fed. Cases No. 1, 559, 1 Fish. Pat. Ben. 375; *Evans* v. *Eaton*, 1 Robb Pat. Cas. 68; *Mich. Cent. R.R.* v. *Stack*, 17 Ren. Cas. No. 9, 527 A. 22 Int. Rev. Rec. 337.)

It is only where Congress has palpably exceeded the limits of its authority that the Federal courts will intervene. (*U.S.* v. *Curtis*, 12 Fed. 824.)

8. LEGAL PRESUMPTIONS AND CONSTITUTIONALITY

Statutes are always presumed to be constitutional and this presumption will always be indulged in by the court until the contrary is clearly shown. This rule is one of universal application and the principle is equally well established, that statutes will be so construed wherever it is possible to do so, so that they shall harmonize with the Constitution, to the end they may be sustained (S.Cyc. 801, notes 74, 75). Two pages of cases cited.

A reasonable doubt as to the constitutionality of statutes will be resolved in favor of their validity (8 Cyc. 803).

When reasonably possible, a statute must be so construed as to uphold its validity (*U.S.-Thorburn* v. *Gates*, 225 Fed. 653 and cases cited, 12 C.J. note 96, pp. 787 and 788.)

"While the courts must exercise a judgment of their own, it by no means is true that every law is void, which may seem to the judges who pass upon it, excessive, unsuited to the ostensible end or based upon conceptions of morality with which they disagree. Considerable latitude must be allowed for differences of view as well as for possible peculiar conditions which this court can know but imperfectly, if at all" (*Otis* v. *Parker*, 187 U.S. 606).

9. THE CLAIR PLAN IS LEGAL UNDER THE POLICE POWERS OF THE UNITED STATES

For the common defense and the general welfare or to regulate commerce among the several States and with foreign nations; to make all laws necessary for carrying into execution all powers vested by the Constitution in the U.S. Government; the Congress may, under its expressed or implied authority and in pursuance of the police power, exercise such restraint upon private rights as may be found necessary and appropriate; to promote the welfare and safety of society.

By a proper exercise of police power Congress may expressly prohibit and make criminal the doing of an act, which in the absence of such a law, would constitute a liberty or property right of a person within the meaning of the Constitution; even though such act is not immoral within itself.

It is trite to say that practices harmless of themselves may from circumstances become the source of evil, or may have evil tendencies. (*Murphy* v. *Calif.* 225 U.S. 623.)

The police power is the general power of the Government to protect and promote the public welfare even at the expense of private rights. (*Bear Co.* v. *Mass.* 97 U.S. 25 (see American and English Encyc. of Law, police powers).)

Police power extends to the right to minimize speculation, to restrain or prohibit, not only gambling or wagering contracts, but also those which may be used as disguised for gambling and have a tendency to injure public interests. Tiedeman on Police Power. (*Schneider* v. *Turner*, 130 Ill. 28; *Booth* v. *People*, 195 Ill. 43 af'd. U.S. Sup. Ct.; *Tenney* v. *Foote*, 4 Ill. App. 594, 95 Ill. 99; *Minn. Lbr. Co.* v. *Coal Company*, 160 Ill. 98; *Pierce* v. *Foote*, 113 Ill. 234.)

In 240 U.S. 369 the court said "of course, it is in the exercise of the police power of the State." We will not here define it or its limitations as was said by Mr. Justice Brown in *Camfield* v. *United States* (167 U.S. 518). "The police power is not subject to any definite limitations, but is coextensive with the necessities of the case and the safeguard of the public interests."

10 EQUAL PROTECTION CANNOT BE SAID TO BE DENIED, WHEN THE LAW OPERATES ALIKE UPON ALL PERSONS AND PROPERTY SIMILARLY SITUATED

(*Barbies* v. *Connolly*, 113 U.S. 32; *Soon Hing Case*, 113 U.S. 709; *Railway* v. *Mackey*, 127 U.S. 205; *R. R. Co.* v. *Harreck*, 127 U.S. 210; *Walston* v. *Neem*, 128 U.S. 578; *Magoun* v. *Bank*, 170 U.S. 293.)

The classification made by statute need not, in order to be constitutionally valid, embrace all kinds of personal property, whether such kind of personal property were the usual subjects of option dealing or not. (*State* v. *Gritzner*, 134 Mo. 512.)

It is suggested that a conviction under the Clair plan would be contested as unconstitutional because it might be claimed to be in contravention of the provision incorporated in the Constitution of the United States that no person shall be deprived of life, liberty, or property without due process of law.

Of course, it is not violative of the provision of section 1 of the fourteenth amendment of the Constitution of the United States which provides that "No State shall deny any person within its jurisdiction the equal protection of the laws."

The Clair plan contemplates a Federal statute. But we will show under it that equal protection of the laws are safeguarded.

Considering the first point first, liberty and property, as used in said constitutional provision, include the right to acquire property. That means and includes the privilege of contracting and making and enforcing contracts. (*Fraser* v. *People*, 141 Ill. 171.)

A citizen cannot be deprived of an attribute of property, like the right to make a reasonable contract without due process of law. Due process of law is a general law of the land (*Elliott* v. *People*, 117 Ill. 294; *Richey* v. *People*, 155 Ill. 98).

The exemption of certain railroads does not invalidate the Adamson Act as denying equal protection of the laws; nor are carriers denied due process of law—and singling out employees engaged in the movement of trains does not render the statute invalid as denying equal protection of the laws (*Wilson* v. *New*, 243 U.S. 332).

11. Congress may possess and lawfully exercise such power of restraint upon private rights as may be found necessary to provide for the welfare of society—even though it involves laws impairing the obligation of contracts, which power

is in the United States Constitution, denied the States. To what end? To perform a more perfect union—to establish justice, insure domestic tranquility, provide for the common defense, promote the general welfare, and secure the blessings of liberty to ourselves and our posterity.

This power as exercised in the Clair plan is known as the "police power". In the exercise of this power Congress may by valid enactments, i.e., "Due process of law," prohibit or restrain all things hurtful to the comfort, safety, domestic tranquility of society, even though the prohibition, restraint, or regulation invade the right of liberty or property of an individual (18 Am. & Eng. Ecyc. of Law, 739, 740).

An enactment to have that effect and be valid must be an appropriate measure for the promotion of the comfort, safety, and welfare of society. It must be in fact, a police regulation. Courts are authorized to interfere and declare an act of Congress unconstitutional, or not the "Law of the land," if it conflicts with the constitutional rights of the individual and does not relate to or is not an appropriate measure for the promotion of justice, the comfort, welfare, and safety of society.

With the wisdom, policy, or necessity for such an act courts have nothing to do.

But what are the subject of the police powers and what are reasonable regulations are judicial questions and the courts may declare enactments which; under the guise of the police powers, go beyond the great principle of securing the safety or welfare of the public; to be invalid.

12. LAWS FOR THE SUPPRESSION OF GAMBLING AND ITS EVILS ARE CONSTITUTIONAL

Crandall v. *White* (164 Mass. 160).

Laws for the suppression of all forms of gambling have, without exception, so far as we are advised, been regarded by the court and law writers as a proper exercise of police powers. This is conceded.

But it might be contended that a contract the entering into for, which, one: Under the Clair plan stood convicted; that is, a contract for nonperishable indispensables, either food or fiber, at a cost less than the American production cost, is within itself neither illegal or immoral, is neither void nor voidable, under the principles of the common law. That it is not within the legislative power, in virtue of the police power, to deprive a citizen of the right guaranteed by the Constitution of the United States and the several States to enter into a contract which is not within itself harmful, immoral, or injurious to the health, morals, or safety of the public.

The proposition is however that, a contract which within itself is not harmful immoral or illegal, and which constitutes a right of property or liberty within the meaning of those words as employed in the organic law of the Federal Government, cannot be denounced as illegal in the exercise of the police power of the Government. This would place a limitation upon the police power—which might greatly impair its usefulness, and often render its proper exercise entirely futile.

It would restrict its operation to declaring that illegal, which was already illegal. As we have stated it is not without the power of Congress in the proper exercise of the police power, by an enactment otherwise valid, to declare that unlawful which was theretofore lawful, even if the act so condemned, be an attribute of the right of liberty or property, guaranteed to the citizen, by the constitutional provision under consideration.

The language of the constitution is so chosen as to recognize the right of the Government to deprive a citizen of life, liberty or property by "Due process of law." Due process of law is synonymous with "Law of the land," hence the law of the land may expressly prohibit and make criminal the doing of an act which in the absence of such law of the land, would constitute a liberty or property right, within the meaning of the Constitution, even though such act be not within itself immoral.

In *Magner* v. *People* (97 Ill. 320), it was urged that certain provisions of the then existing game laws of the State of Illinois, which declared it unlawful for anyone to have in his possession wild fowl or birds of the kind designed to be protected by the statute, that had been lawfully taken or killed in another State; were in contravention of clause 8, article 1, of the Constitution of the United States, which confers upon Congress the power to regulate commerce among the several States. It was there held that the object of the statute was the protection of the game herein mentioned and the prohibition of "all possession and sales" of such game would tend to their protection and thereby advance the ends to be secured by the legislation. The conviction of Magner of the offense of having quail in his possession which had been killed in the State of Kansas and sold by the said Magner in Illinois was upheld and on page 331 in 97 Ill. it was there said: "This is but one among the many instances to be found in the law where acts which, in and of themselves alone are harmless enough, are condemned because of the facility they otherwise offer for a cover or disguise for the doing of that which is harmful."

The practice of gambling on the market prices of life's indispensables—that is, cotton, wool and flax, wheat, corn, rice, oats, barley, buckwheat and hay—and forcing down the price paid to the farmer on the farm to frequently a fraction of his American production cost, thus forcing 50,000,000 Americans on the farms or immediately dependent on those who do the farming in the West country and the South country off of the buying market, which they constitute, for the industries of the cities, the mills, the mines, and the factories, compels universal recognition of a pernicious evil; and that the suppression of such evil and the minimizing of it through stabilizing the minimum price of such commodities based on production cost is within the proper exercise of the police power. The absolute suppression of such gambling evil by law under the police power has been too frequently affirmed by Supreme Court decisions to be open for discussion. The restraining of this evil as proposed in the Clair plan, therefore, is well within the police power.

The evil does not consist in contracts for the purchase of or sale of grain, based on production costs, to be delivered in the future in which the delivery and acceptance of the grain so contracted for is bona fide, contemplated, and intended by the parties, but in a contract, in which the parties intend to secure, not the article contracted for but the right or privilege of receiving the difference between the contract price and the market price of the article. The object to be accomplished by the Clair plan is the minimizing or suppression of contracts of the latter character, which are in truth mere wagers as to the future market price of the article or commodity which is the subject matter of the wager, without regard to American production costs, which are protected and stabilized on many articles in the tariff schedules as are the rates on telephone, telegraph, railroad, street-cars, express, boats, and for the bankers we have even fixed the price of gold by American statutes.

Clearly a contract which gives to one of the contracting parties, a mere privilege to raid the market by selling short corn or wheat he does not own, or to buy corn or wheat, in either instance without regard to American production costs, but does not bind him to accept and pay for it, is wanting in the elements of good faith to be found in a contract of purchase and sale where both parties are bound, and offers a more convenient cover and disguise for mere wagers on the price of grain than contracts which create the relation of vendor and vendee. Such contracts are in the nature of wagers, being the mere privilege to buy the grain, should its market value prove to be greater than the price fixed in the contract for such privilege.

The prohibition of the right to enter into contracts which do not contemplate the creation of an obligation on the part of one of the contracting parties, to accept and pay for, the commodity which is the purported subject matter of the contract, but only to invest him with the option or privilege to demand the other contracting party shall deliver him the grain, if he desires to purchase it; tends materially to the suppression of the very evil intended to be eradicated. So far as that point is concerned, "the act must be deemed a valid law of the land" said the Supreme Court in the Booth case and as such must be enforced though it infringe in a degree upon the property rights of citizens. To that extent private right must be deemed secondary to the public good. How much more drastic than the Clair bill was that anti-grain futures law of Illinois.

Second—Nor do we think the enactment in question denies any person the equal protection of the law, says the Supreme Court. Its penalties are directed, as are those of the Clair bill—against all persons and classes of persons who offend against its provisions. It is true, it does not prohibit contracts for options to buy or sell or the purchase or sale on future delivery of all kind and classes of property; nor was it necessary to the validity of the act that it should reach and prohibit all contracts of that character.

The remedy need only be as comprehensive as the evil the law designs to remove. In considering as to the propriety of adopting the enactment and as to the necessary scope of the legislation under discussion, it is fair to assume it was and would be present in the legislative mind that the proposed prohibition of the right to contract was an infringement upon the rights of property and liberty of the individual, and that it was the legislative design to trench only in the slightest possible degree upon private and individual rights, and for that reason, the act was so framed as to restrict the operation thereof, to transactions in such kinds and character of property, commodities and securities as had been made the subject of gambling or wagering contracts and out of which grew the evil which threatened the welfare and safety of the public, and to place no restraints upon contracts which though of like character as those which were prohibited, had not been employed as a similar means of gambling.

It is not indispensable in order to be constitutional that the section should embrace all kinds of personal property, whether such kinds of personal property had usually or commonly been the subject of option dealing or not. It is sufficient if the selection of the article and property mentioned is based on reasonable and just ground of difference and the prohibition comprehends all kinds of property within the relations and circumstances which constitute the distinction, and extends equally to every citizen and all classes of citizen, and denies to no one a privilege which another is permitted to enjoy. The prohibition need not embrace all contracts for options to buy or sell, but only all such contracts as lie at the root of the evil which threatens the public safety and welfare. The Clair plan enacted would be the valid law of the land under the reasoning of: *Booth* v. *People* (186 Ill. 43 af'd 184 U.S. 425), *People* v. *Murray*, 307 Ill. 349; *Miller* v. *Sincere* (273 Ill. 194).

13. GUARANTEES OF THE CONSTITUTION

The preamble of the Declaration of Independence is the true Constitution of the United States for it logically contains the entire statement of universal economic equality guaranteed by the nation collectively to its members individually.

The cornerstone of our Nation is equality of opportunity—economic equality. That is the obvious, necessary and only adequate base of these three rights: Life, liberty, and the pursuit of happiness. What is life without its material basis, and what is an equal right to life but a right to an equal material basis for it?

What is liberty? How can a man be free who must ask the right to labor from his fellow man, at less than production costs, and seek his bread from the hands of others?

How also can government guarantee liberty to men save by providing them a means of labor and of life coupled with its support in their striving for independence, under an economic system assuring employment and maintenance based upon production costs stabilized for the farmer as they are stabilized for other industries?

What form of happiness is not bound up with economic conditions?

How shall an equal opportunity for the pursuit of happiness be guaranteed to all, save by a guaranty of economic equality to the unprotected producers of life's indispensables and the protected producers?

These questions raised by Edward Bellamy in his memorable book Looking Backward 1887 coincide with the plan of Francis J. Clair. This plan so full of ideas, so fundamental in principles of equity and justice, responding so completely to the call of the Virginia Legislature, that gave rise to our Constitution; is so replete in its every suggestive aspect, so rich in quotable parts, that it forms an arsenal of arguments in tune with the problems of the country today, as to support and to urge its immediate adoption, as the law of the land.

The **CHAIRMAN**. Mr. McDonald asked for just a moment more.

Mr. **McDONALD**. No, I did not, Senator. I am finished. I only want to leave this thought with you. I have been associated with Mr. Clair, and it is my opinion he has got a heart as big as a Texas mule, and there is no man in America that has a clearer vision and more brains than that man, and who is more capable of working out this problem.

The **CHAIRMAN**. We will now hear Mr. C. H. Conaway. Mr. Conaway, will you give your name and address to the Reporter.

STATEMENT OF CHARLES H. CONAWAY, STARKWEATHER, N.DAK.

Mr. CONAWAY. Mr. Chairman and gentlemen and ladies of this committee, my name is Charles H. Conaway, Starkweather, N.Dak. I am a farmer at present and have been all my life, cultivating a large acreage of land in the State of North Dakota. I have lived there about 23 years. At the present time I have under cultivation over 2,100 acres of land.

I am here under the auspices of the Farmers' National Grain Dealers' Association, with headquarters in Chicago. I am also president of the North Dakota Farmers' Grain Dealers' Association.

The Farmers' National Grain Dealers' Association comprises about 12 States, with a membership of producers approximating 800,000.

We have not taken part in the discussions for farm relief so far, because of the fact it was rather difficult to get a hearing. Not meaning you gentlemen were in any way to blame for this, but an attempt was made by our president to receive a hearing sometime ago, but it seemed as though the calendar was full at that time.

I think that I might be able to give you some information from the soil, which is primarily my business. I am here also looking after the interests of the farmers' elevator movement, insofar as my ability will allow me to do so. We feel that the farmers' elevator is really closer to the producer than most any other institution in our land. We also have a small percentage of independents in this organization to which we extend the same courtesies as that extended to our regular members, or the cooperatives.

Before I came down here sometime ago, when it seemed apparent I would possibly be called, or it was necessary for me to come, I got to thinking it over rather seriously, and decided it was probably too much to assume that any one man might be able to represent a community property without first consulting those most seriously concerned with this affair. Consequently I called a meeting of business men, doctors, lawyers, farmers, laborers, under the auspices of the Commercial Club in our city, and I put this question up to them, with reference to farm relief.

I found in that conference that taking these men individually and asking them questions, they all wanted relief of some description, of some kind, but they did not want regulation. They wanted relief from the burdens of the mortgages on their farms; those in town who have money invested in those mortgages wanted relief, but they were not willing to reinvest that money in the bonds that make it possible.

I make this severe indictment on direct evidence and can prove the statements that I make. When I left that meeting I left it with the opinion that of all of the proposals for relief of agriculture that have yet been made my community was in no condition to accept those proposals and do the right thing by that law when enacted. It seems to me it is futile to attempt to legislate prosperity to a people. You have heard that statement many times. I think you are thoroughly acquainted with what we mean when we say that if a man can't handle his own business it would be impossible to legislate prosperity to him. I make the indictment that the farmer has been largely to blame for his present condition, myself included. Many opportunities have passed me by that a man with less discretion than I have might have taken advantage of. I didn't do it. I cannot expect Uncle Sam to pull my chestnuts out of the fire, if you will pardon the expression. We tried to legislate prosperity to the farmer by creating the Farm Board. The Farm Board was supposed, under the Agricultural Marketing Act to foster cooperative marketing in America, feeling that possibly by eliminating a great portion of the middlemen of this country that the transition or the transportation of the grain from the farm to the consumer would be much less, and consequently a greater price to the producer himself.

We have found after four years of bitter experience that that Farm Board, being human, with the subsidiaries being set up under that Board being human, that the control has gotten into the hands of some persons who have appeared from time to time to be indiscreet. We have found that instead of fostering cooperative marketing, it has actually destroyed the basic principles of cooperative marketing.

I might cite to you a personal instance, which will have a tendency to prove what I mean. At our point we have one of the most important cooperative elevators in the United States. It has a capacity of approximately 35,000 bushels, with machinery up to date, plant up to date, and a fine residence for the manager. The property has been listed, and I think conservatively estimated at from thirty-three to thirty-four thousand dollars in 1925. That is down now to about $20,000. At that point, because of certain connections I may have had, certain things I may have said, whether or not that is true, there is another elevator, financed by a Farm Board subsidiary at the present time, and for the past two or three years that has been operating at a loss, a very definite loss. I understand now it has been taken over by the manager on a commission basis.

If I understand the Agricultural Marketing Act correctly, it provides that no duplication of facilities shall be had at any one given point in the United States where cooperative facilities are already available and adequate for the handling of the commodities in that community. This goes to show that a subsidiary, whether they are acting in good faith or not, has absolutely destroyed the confidence of some of the farmers in that community in their own institution. They have absolutely tried to put us out of business. I cite this as one instance.. There are several others that I could, but I don't care to take up your time, but if you ask me to, I will try to get the names and verify those instances.

We have learned from that experiment, and from others, wherein they have attempted to stabilize the price of agriculture in this country that it has invariably wound up in the hands of just a few men enriching themselves at the expense of the public, with no direct beneficial results to the producer himself. That is our personal direct contact with one of the subsidiaries, and that experiment having failed, we have naturally lost faith in most any legislation that will be of mutual benefit to the producer.

We are also apprehensive about the granting of power to any one individual to control this great agricultural machine we have in this country. We feel that it is more power than any one man should righteously ask for. It seems to me that it would be assuming too much to be able to direct the affairs of agriculture and directly guarantee to make the farmer prosperous or the producer prosperous.

When you speak of limiting acreage and also limiting production, you are going contrary to the rules of our Agricultural Department in this country. I understand, as has been mentioned before here, that under this bill commercial fertilizer is not allowed to be used where a certain acreage has been taken out of production. We might cite that instance up in the Northwest, that if that rule were followed with reference to wheat, where a man was only allowed to plant 100 acres out of every 130 or 140 that he had, that he would be compelled to let that lie idle, that 30 or 40 acres, without any cultivation, not even summer fallow, because that amounts in our country to what commercial fertilizer does in the East.

I have been instructed by the men I represent, through resolution, by my neighbors and my farmer friends all over that country to state that they are a bit skeptical about this legislation. I have been instructed to say that they do not want to be regulated; they want to be left alone for a while; that they feel if the Government of the United States will take care of the international relationships and attempt to curtail expenditures, reduce taxes, and do the best they can to reduce tariff regulations, or make contracts with foreign countries, that it will have a tendency to bring down the prices of the things the farmer has to pay for, and repeal certain legislation that has been paternalistic in nature, that has protected industry, that has enabled them to levy an unfair tax upon the American consumer to the point where he is no longer able to pay, that that will be the greatest service to the common man that has ever been attempted by a Congress of the United States.

Those are my instructions, and those are the things I would like to leave with you. I have a certain little program that is very brief, that I would like to suggest along that line.

I have already mentioned the tariff. I am not an expert along that line. I don't know much about the technicalities of that. Only we of the Great Plains region imagine that the protective tariff has protected industry for so long it has been inoperative so far as the farmer is concerned, and has enabled industry to get the best of the producer. We imagine that that is the exact result of what the tariff has done to us. If the high protective tariff has closed the markets of this world to us, which so many people claim and believe, then it is high time that tariff was lowered. We feel that industry no longer needs that protection. It doesn't need any good vision to see that it does them no good now. There is no purchasing power in the country. If they ever did need it, they do not need it now. We feel if you open up the markets as nearly as possible between this country and foreign nations, getting back a mobile relationship, based on the necessary transition of the United States from a period of debtor nation to creditor nation, that we will have a further outlet.

Understand and bear in mind that I stated that these men want to produce just as much as they can. They don't want to be regulated. If assistance has to come by establishing a giant bureau here, or with headquarters scattered all over the country, with an army of engineers, or a soldier quartered in every home, the American farmer does not want assistance of that kind. He will never be satisfied if it is necessary to establish that kind of an army.

Another thing, in the experience we have had with the regulation of the agricultural industry so far, and the failure of these acts to be of benefit to agriculture, I would recommend that you repeal that Agricultural Marketing Act and get it off the statute books and forget it. We want the Government taken out of business. If it is necessary to regulate the farmer to give him a higher price for his product, to enable his purchasing power to rise, it will also be necessary, along the same line of reasoning, to exercise control over every business institution or venture we have in this country. If Uncle Sam is going to regulate the business of this country and reduce us to mere public servants, why not enact a bill on that order, instead of being specific as to certain industries?

We also agree that providing the Government launches on this program of President Roosevelt to reestablish world trade and further give us a market for our products, that we will use our best efforts to establish a method of control that will be voluntary. Under the Secretary of Agriculture it would be possible through advice as to what was necessary here and abroad, for the farmer to materially reduce his production without one cent of cost to the Government, or without setting up any additional bureaus of any description whatever; by taking the instructions coming from the Secretary of Agriculture to all the States that certain information was available as to what is required, having an agreement signed up by the producer himself that he will reduce his acreage a certain amount. That goes on down the line to the county. The county officials can look after it there. It goes on down the line to the municipalities and to the various boroughs or townships, whatever they may happen to be.

We will bank on the administration of that agreement and the American citizens' desire for fair play. We believe that one neighbor will check up on another, that he will see it is actually reduced. That can be done very quickly, in time for next year's crop.

We believe that if the Government of the United States will handle the international situation, and create as much of a market as possible in view of other business institutions in America not being much better off than the farmer—we believe that will be the most substantial relief we can get at this time, and that we are not only against this measure that has been proposed as a method of relief, but we are unalterably opposed to Government relief or Government regulation in any form.

Senator THOMAS of Oklahoma. Are you against this bill?

Mr. CONAWAY. I am against this bill, not in its entirety. I am against the bill for the reason that I believe it grants too much power to one man to make contracts with processors and producers, which some have stated is absolutely necessary.

Here are my reasons for that: There are too many interests vying with one another for the producer's business that are going to create dissension and discord if the Secretary should happen to favor one over the other. Not saying that he will.

Senator FRAZIER. You agree, of course, that the farmers must have a higher price for their products in order to put agriculture on a paying basis?

Mr. CONAWAY. Well, Senator Frazier, it seems to me that if the price to the farmer of the stuff he has to buy was in some manner lowered, it would amount to the same thing as him receiving a higher price for his products.

Senator FRAZIER. In other words, there has got to be a balance reached in some way?

Mr. CONAWAY. Yes.

Senator FRAZIER. Either industry has got to be brought down to our level, or we have got to be brought up to meet them.

Mr. CONAWAY. That is right.

Senator THOMAS of Oklahoma. But if the price the farmer has to pay was brought down to the level of his income, could he then, in your opinion, live on, with the present mountain of debt piled upon him?

Mr. CONAWAY. No. You pass laws relieving the farmer's creditor and the farmer will be all right. This whole situation is a matter as of between two individuals.

Senator THOMAS of Oklahoma. Let me ask you this question: Just supposing that all the farmer's debt was wiped out; that is, if he has a mortgage on his farm, that is canceled; if he has a mortgage on his chattels, that mortgage is canceled; if he has installment contracts or floating debts, those are canceled, but he still has his taxes to pay. Could he now, at present prices, raise enough products to live upon and sell to pay those taxes?

Mr. CONAWAY. No; but you have lost sight of the fact that Senator Frazier was speaking of establishing a parity between these, bringing the price of the stuff he has to buy down with that he has to sell. Then he could live.

Senator THOMAS of Oklahoma. That doesn't interfere with his taxes. He still has his taxes to pay, and that is a fixed charge.

Mr. CONAWAY. Senator, wouldn't that be taken care of in this parity? Wouldn't wages come down? Wouldn't the cost of government come down, and the cost of everything the farmer has to contend with come down, in this scheme of parity?

Senator THOMAS of Oklahoma. With that interpretation, of course, that is true.

Mr. CONAWAY. That is what I mean by parity.

Senator THOMAS of Oklahoma. It is my conviction that the farmers could be relieved of all their debt with the present amount of taxes still remaining and the present value of the dollar still existing, and he could not raise enough products on his farm to secure enough dollars to pay his taxes.

Mr. CONAWAY. I think you are right.

Senator THOMAS of Oklahoma. In other words, if you eliminate his debt entirely, with the taxes as they are, he cannot raise enough money to pay the cost of production and live, because if I am correctly advised, he does not get the cost of production.

Mr. CONAWAY. Here is one thing I did not mention. We are also of the opinion that even if you do raise prices to the farmer or producer, wherever he may happen to be located, that unless regulatory measures are passed that will control the ambition of the manufacturer, or the man who sells his product to the purchaser it will avail nothing. The price of wheat may go up 2 cents a bushel and the price of flour may go up 10 cents a sack, or 25 cents, and unless there is some method by which you might control the amount of profit a manufacturer can levy on the public, you are availing nothing by raising the price to the producer.

Senator MURPHY. I would like to ask the witness a question. I am in agreement with your view as respects the tariff. There is no proposition before us having to do with the tariff. The farmer now is discriminated against in the things he buys. Those facts being as stated, are you against an effort to lift up the agricultural industry to an approximate level with other industry?

Mr. CONAWAY. Yes; because I have the belief that it is impossible for the United States or any other nation to lift itself up to the present prices—I wouldn't know how to put that exactly—to lift the prices of agricultural products up to the price that the manufacturer or processor charges the consumer and maintain stability in the business affairs of the world for a great length of time.

In other words, I do not believe there is property enough in the United States to establish a standard of living, in the raising of prices that high, we having to deal with the rest of the world, and live alone. I think it is an impossibility. I think it would be much better, through some tariff regulation, or trade agreement with the rest of the world that would enable the American farmer to buy his products on the open market, making the manufacturer and the processor to compete with the rest of the world, than it would be to attempt to raise him up on a parity with that manufacturer or processor.

Senator MURPHY. I am in perfect agreement with you, but in the event we are not able to get that kind of legislation, this is being urged upon us as an emergency need.

Mr. CONAWAY. That is a mistaken idea that our statesmen have had in the past, that I think is the cause of this. I do not like to criticize those who have come down here and given their services to the American people and tried to do the best they could, but it appears to me that in their connections they have been very zealous in trying to protect and raise the standard of living by a protective tariff on industry. For instance, they have it to such a high point now, and the financial responsibility is so great, that we believe honestly it will be impossible to subsidize agriculture and bring it up to that point and still exist as a nation.

Senator THOMAS of Oklahoma. If you were commanded now to provide relief for agriculture, tell the committee just what you would prescribe.

Mr. CONAWAY. I have been trying to tell you. Probably I have not made it plain enough. In the first place I would not want that responsibility; and in the second place, and in case I accepted that I do not believe that any man alive is going to be able to work out a solution to this problem as quickly as some people feel that it ought to be worked out. They say: "If you don't do something in 2 or 3 months or 2 or 3 weeks or 2 or 3 days, agriculture is going to be snowed under." They are now. The farmer cannot pay his bills. His creditors understand that. They know he cannot pay his bills. The whole thing is stagnated. There can be no agreement. They say there is liable to be riot and bloodshed over this thing, but I have my doubts. I have a lot more respect for the stability of the American citizenship than to believe that there will ever be any bloodshed to speak of over anything of the kind. We are not near revolution, so far as I am able to get the sentiment of this country. It will take years and years of this kind of stuff to create a revolution. A man may lose his property; still he is not in favor of going on the war path and chasing a phantom, and that is what would he be chasing if he attempted to run down the source of this trouble.

Senator FRAZIER. Is the holiday movement organized in your community?

Mr. CONAWAY. It is. Not very strongly near my locality but throughout the State it is. Whether or not that is right in principle I am not prepared to say. Whether it is right for an American citizen or a group of American citizens to take the law in their own hands and say to the creditor of a certain individual: "You have no right to foreclose," I am not prepared to say. I believe also that it is un-American and wrong in principle; that if some law were passed to protect the creditor in his rights in the premises, there would not be nearly so many foreclosures and there would not be nearly so much of a misunderstanding as there is at the present time. It seems to me that some foreclosures have been furthered and hurried along from the mere fact that the mortgagee was not protected in his rights; that if he did not file a foreclosure at a certain time he would lose all the rights he had in the premises. If some method were devised that would enable him to extend leniency to his debtors he would probably be willing to make the whole deal over. I found that as a consensus of opinion among several of those judges in North Dakota. They seemed to feel that that would help quite a lot; that the creditor in those instances would be able to pare down his debt; that the other man would be willing to make a deal and renew the mortgage; that we feel that the situation would be eased considerably without any legislation and with a corresponding regulation which people do not like generally.

Senator THOMAS of Oklahoma. As I understand your philosophy or remedy, it is to let nature take its course in working out this problem, and in that course you would extenuate, if possible, the scaling down of the indebtedness now to the American farmer; that in place of them being required to pay the present mortgages they be permitted to deal with the mortgagee and adjust the mortgage to the point where the mortgagor could probably pay out on the basis of present prices.

In that connection, we have in the United States approximately 21 billions of National debt, evidenced by some form of Government bond. Do you hold that it would be possible or advisable to scale down that indebtedness and require the holder of American bonds, United States bonds, to take a new bond in a substantially smaller amount? Would not that be in line with your theory of adjustment, that while we are scaling down we should require the holders of United States securities to come in and suffer their part of this adjustment by taking a smaller amount of bonds?

Mr. CONAWAY. It seems to me, Senator, that it will be just as reasonable to propose a deal of that kind with reference to the bondholders as it would be to bankrupt the Nation and force him to do it the other way. The chances are that if this thing was allowed to work itself out as an adjustment between creditor and debtor, and the Congress and the President doing all they could to establish friendly relations again throughout the world, opening up new markets or finding new uses for our products, it would be much more permanent than a drastic reduction in the inebtedness to one another.

The CHAIRMAN. Is there not this evidence that enters into this situation: That certain property that is real—we put that name there because it is the only property that is real, land, growing crops—the mortgagor finds that the present value of it is far below its real, intrinsic value. He knows that sometime it has got to come back or the Nation will cease to exist, and therefore for purely selfish reasons he prefers to foreclose the mortgage if he can get possession of the property, or, if he does not hold the mortgage, to have the mortgagor foreclose and he purchase the property—and that is going on around me, and therefore when the cloud lifts he will have the basis of a fortune that he bought for a mere song.

Now, while an emergency of this kind still persists there ought to be some protection thrown around those who are unfortunate, that have nothing but their property as the basis of their security on which they have given a mortgage or hypothecated, to have them protected in a time like this, until such time as normal values may come back and his earnings enable him to meet the interest and the taxes on his property. There never was a time in the history of America when those who have the money have had the opportunity, have had such an opportunity of laying the foundation of incalculable wealth. We have got that situation right now.

If there are no further questions of this witness, Mr. Loomis has asked for 5 minutes, and if he is present we will hear him for 5 minutes or a little longer; then we will take a recess until tomorrow.

STATEMENT OF A. M. LOOMIS, SECRETARY NATIONAL DAIRY UNION, WASHINGTON, D.C.

Mr. Loomis. Mr. Chairman and members of the committee, I am here on a mere detail of the language of the bill which is before you, having to do with compensating taxes, starting at the bottom of page 15, and I am making this very brief statement on the assumption that a bill something of this character will be passed and that thereby we will have certain increases in the price of the basic agricultural commodities which are named in the bill.

Paragraph (d) of section 15, page 15, starting on line 16 of the House bill, the bill before you, provides that the Secretary of Agriculture shall ascertain from time to time whether the payment of the processing tax on any basic agricultural commodity is causing or will cause to the processors thereof disadvantages in competition from competing agricultural commodities by reason of excessive shifts in consumption, and so forth. Then it goes on to provide if this is found that under certain conditions additional processing taxes may be applied to other commodities.

I am calling the committee's attention to the situation with reference to butter and lard. Assuming that this will bring about an increase in the price of butter and lard, we immediately find ourselves in competition with all other edible fats. There are a little over 2,000,000,000 pounds of butter in the markets, a little over 2,000,000,000 of lard in the markets, and in competition with those for sale to the consuming public we have along in the neighborhood of 2,000,000,000 pounds of lard compounds, made chiefly of cottonseed oil; also a few hundred million pounds of oleomargarine; and then a widely assorted group of oils and fats products known as "salad dressings and salad oils," and so forth, which occupy, with some exceptions which we claim for butter, the same place in the human diet.

I do not believe that the language of the rest of this particular taxation paragraph is written with sufficient broadness to cover these products; that is, it says:

> Thereafter there shall be levied, assessed and collected upon the first domestic processing of such competing agricultural commodity a tax, to be paid by the processor.

Now, perhaps if that were left alone and there were no definition following that, it would do—

> Such competing agricultural commodity a tax, to be paid by the processor.

But now the last four lines of the paragraph define "competing agricultural commodity" and says this shall include among others rayon, silk, linen, oleomargarine, and any basic agricultural commodity as to which a tax is not in effect. Under the old rule of interpretation this will be interpreted strictly, and the courts would be inclined to say that it included only those commodities which are there named.

With oleomargarine we are perfectly content that takes care of the immediate butter interests, but I am also speaking now for the commodities made from cottonseed oil, coconut oil, whale oil, and so forth, and I want to say that I do not believe, and they do not believe that this language here will include lard compounds. A lard compound, of course, is the main competing product with lard, and without a processing tax on lard compound we do not see how it is possible to maintain a higher level for lard prices.

My suggestion would be to exclude, to strike out the word "basic" in line 16, page 16, so that this definition will read:

> The term "competing agricultural commodity" shall include among others rayon, silk, linen, and oleomargarine, and any agricultural commodity as to which a tax is not in effect under section 9.

I want to say before leaving the subject that we believe this affects and brings into the picture in this bill a tremendously important industry which is not otherwise fully considered in the bill, and that is the cottonseed oil industry and its relationship to the lard industry.

That is all, Mr. Chairman.

The CHAIRMAN. Thank you; Mr. Loomis. I want to state to the committee that Senator Kendrick asked me to place in the record a telegram which I will ask the reporter to incorporate.

(The telegram referred to appears hereafter.)

Now, I want to state for the benefit of those who are here that I asked for the official figures as to the value of farm products, farm crops, in 1929, 1930, 1931, and 1932. In 1929 the value, in round numbers, was $8,900,000,000; in 1930 it was $6,400,000,000; in 1931, $4,500,000,000; and, these figures are not yet entirely complete, in 1932 about $3,400,000,000. That is cash return or the value of agricultural products of this country for the four years that I have mentioned.

The committee will now stand adjourned until 10:00 o'clock tomorrow morning, at which time we will try to finish the hearing.

(The telegram submittd by Senator Kendrick is in words and figures as follows:)

KIT CARSON, COLO., *March 27, 1933.*

Senator JOHN B. KENDRICK,
Senate Office Building, Washington, D. C.:

Please lay this message before Senate Agricultural Committee as my protest against agricultural relief bill that is now before committee. Evidently the intent of this bill is to legislate value into commodities. If such a thing is possible then the economical problems of the world will have been solved. If it is possible to accomplish this desire by legislation it seems strange that through all the world's history that such a simple remedy has never heretofore been successfully accomplished. It is impossible and in the end will do more harm than good. What agriculture needs most is a good rest from agitation. The remedy lies in cheapening of the currency, lowering of taxes, railroad rates, and marketing expenses, lowering the cost of all governmental units clear down to the local schools, and scaling down overcapitalization of all industries. If we must try out this wild experiment please leave livestock out for at least a year.

CHARLES E. COLLINS.

(Whereupon, at 4:55 p.m., the committee adjourned until 10 a.m., Tuesday, March 28, 1933.)

AGRICULTURAL EMERGENCY ACT TO INCREASE FARM PURCHASING POWER

TUESDAY, MARCH 28, 1933

UNITED STATES SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D.C.

The committee met, pursuant to adjournment, at 10 a.m., in its committee room in the Senate Office Building, Senator Ellison D. Smith presiding.

Present: Senators Smith (chairman), Kendrick, Thomas of Oklahoma, McGill, Bankhead, Bulow, Caraway, Murphy, Pope, Norris, McNary, Capper, Norbeck, Frazier, and Shipstead.

(Senator Smith left the room for a few moments just as the committee was called to order and Senator Kendrick took the chair.)

Senator KENDRICK. The committee will come to order and the secretary will call the first witness.

STATEMENT OF F. E. MOLLIN, SECRETARY OF THE AMERICAN NATIONAL LIVE STOCK ASSOCIATION, DENVER, COLO.

Mr. MOLLIN. My name is F. E. Mollin. I am secretary of the American National Live Stock Association, with headquarters at Denver, Colo. Our association is the national spokesman for the range-cattle producers located largely west of the Missouri River. Your chairman expressed the other day a desire to know the qualifications of the witnesses appearing. For 22 years, beginning in 1906, I was in the employ of a large ranching concern in Nebraska, starting in as stenographer and ending as general manager. They fed about 4,000 cattle annually and handled a great many hogs, feeding and shipping to market on an average of about 5,000 head annually. In 1928 I was employed to liquidate another large ranching concern, and for the past 4 years I have been secretary of the above-named organization. During all of these years I have given a great deal of thought to the marketing problem and have had extensive opportunity to study conditions relative to same.

Before going into detail in regard to our opposition to the inclusion of cattle in the bill now under consideration, I would like to say that it appears to me there are certain sound reasons why no attempt should be made artifically to raise prices until all means have been exhausted to reduce the cost of operation. When that has been done, your problem will be very much simpler than it is today.

I have in mind particularly the question of freight rates. Any action taken by Congress to establish an artificial basis of prices would be used by the railroads as an argument against the necessity of reducing freight rates, and the same would be true, to a certain extent, of other items that have so far successfully resisted the substantial downward trend that is an absolute necessity to put us in all an equal plane.

I testified last Friday before the Interstate Commerce Commission urging a general reduction in freight rates, and closed my remarks with this statement:

> Congress is today considering a gigantic farm relief bill. I do not believe that any bill which that great body in all its wisdom can adopt will do so much to restore normal conditions, to again start the wheels of industry turning, as a general reduction of 25 percent in freight rates.

I wish to here reiterate that statement. The effect of such a reduction would be pyramided in the many finished articles that each of us must buy every day. Your chairman can tell better than I how many freight rates are included in the beefsteak that you eat in a restaurant. Many of the cattle are moved four or five times before they leave the packing house and then there are 1 or 2 movements of the product.

Utility rates should be reduced. Farm-mortgage relief should be applied. Implement prices should come down and everything else that is still artificially high. I was amazed the other day to hear your first witness testifying in behalf of this bill in one breath and defending the present prices of implements in the next. One of the high crimes against American agriculture today is the price the farmer has to pay for the implements he uses.

Our association met in convention at Ogden, Utah, on January 12 to 14. After careful consideration, the following resolution was passed relative to the domestic-allotment plan, even though at that time cattle were not included in the plan:

> Whereas Congress is attempting to legislate for agricultural relief; and
> Whereas this association is vitally interested in and favors such legislation; and
> Whereas we believe that the so-called "domestic-allotment" plan is economically unsound: Therefore be it
> *Resolved*, That we are unalterably opposed to this plan as a medium of relief.

The only objection to the passage of this resolution was based on a desire not to oppose agriculture in general. The fact that cattle are again under consideration in such a plan proves the wisdom of our going on record.

Our objection to the bill under consideration as applied to cattle is based on the extremely sensitive condition of the cattle market and the dressed-beef market; the fact that these markets operate on a strictly cash basis; that beef is of such a highly perishable nature that little storage of the product is practicable; that our industry has to operate in the face of constant propaganda by the manufacturers of substitutes which can compete with our product, by health faddists and quacks who like to get their names in the papers, and by a host of self-seeking individuals and institutes who have something else to sell and urge that the eating of meat is harmful. Only the fact that nothing quite takes the place of beef in the public favor enables us to preserve a proper place in the dietary of most of our people.

When the bank holiday was declared meat prices advanced immediately in our big cities, as an illustration of the extremely sensitive condition of these markets. I fear that the passage of this bill, as it now stands, would serve as an excuse for a similar advance in retail prices, even though livestock had not as yet been touched.

In this connection, however, I wish to call your attention to the fact that we have never entirely recovered from the meatless days prescribed during war times. The average consumption of beef for the 5 years, 1910 to 1914, was 64.8 pounds per capita. It has been declining ever since. In 1930 it was 50.1 pounds and in 1931 it was 49.6 pounds. This continuing decline the last 2 years has been in the face of an increase in production.

The Agricultural Outlook for 1933, issued by the United States Department of Agriculture, states that the number of beef and dairy cows combined in this country is now the largest on record. The number of all cattle on hand January 1, 1933, was 65,129,000, an increase of approximately 8,000,000 since January 1, 1928.

Senator KENDRICK. May I interrupt you there? Is it not true that this increase is more largely found in dairy cattle than beef cattle?

Mr. MOLLIN. No, sir; the next statement covers that. Practically all of this increase has been in cows and heifers, about half of the dairy breeds and half of the beef breeds. There is a little variation of a couple of hundred thousand but they are practically the same. Under these conditions we are fearful of the consequences of any attempt to artificially raise prices, holding with it the possibility of turning to one of the numerous substitutes for our product. If, in order to prevent this, you are going to go into the entire field of meat and meat substitutes, my mind refuses to grasp the tremendous machinery that would be thus involved and the complications that might easily result.

I testified two years ago in the food investigation conducted by Senator Capper. The Senator will recall that the charts presented at that time indicated a close relation between the composite price paid for beef animals and the compoiste price charged for carcasses at wholesale, and that the spread between them was not unduly high. He will further recall that the spread between the wholesale price and the retail price widened out considerably about 10 years ago and has been maintained ever since on about a comparable basis.

I call your attention to the statement on the circular marked "No. 1" which is before you. You will note that the table shows the average price of live steers per 100 pounds, the average price for 58 pounds of carcass beef at wholesale derived from 100 pounds of live steer weight, and the average for the retail cut which come from the 58 pounds. The statement shows in the next to the right-hand column that with the exception of the months of September and October, in 1931, for the entire period 1929 to 1931, inclusive, there was a minus wholesale margin between the sale price of the carcass beef and the cost of the live steers. In making this comparison, no credit is allowed for byproducts. Today, however, these byproducts are very low in value and the accuracy of this table is attested by the financial statements of the large packers during the same period.

Senator KENDRICK. Will you illustrate that with a little fuller statement so that we can all have the benefit of it?

Mr. MOLLIN. If you will go back to 1929, you will see that the minus margin runs from a minimum of 45 cents to a maximum of $2.21. During that time byproducts were not as near valueless as they are today. Hides were worth something and oleo was worth something. They are the two principal byproducts. Up to that time they had been crediting the carcass beef when they hung it up in the packing house with as much as 2 and 2½ cents a pound. The byproducts paid the cost of slaughtering and distribution and enabled a credit to be given the carcass. As you will notice, this margin has been decreasing. This is the wholesale margin in the next to the right-hand column. You get down into 1931 and the minus margin is practically wiped out and in fact you had a plus margin in 2 months. That is due to the fact that the byproducts were decreasing in value, but the purpose of this is to show you that the beef is handled by the packers on a very small margin and actually during all but 2 months of 36 months, the beef from 100 pounds of live steer was sold by the packers for less than what it cost without allowing any credit for byproducts, so there is not a big margin there.

Senator NORRIS. Does that mean they were losing money?

Mr. MOLLIN. No, sir; it means they had to rely on the byproducts to make up that margin.

Senator NORRIS. I understood the value of the byproducts had gone down so rapidly.

Mr. MOLLIN. They have in the last 2 years. You will notice the minus margin went down also. You know the financial statements of the big packers during the last 2 or 3 years have indicated considerable losses along with other lines of business.

The same table shows in the right-hand column the retail margin, which is a plus margin running from $5 to $7 on the meats derived from 100 pounds of live steer weight.

The circular marked "No. 2" show the same information relative to lambs and with the situation on the whole quite comparable, although you will notice there are a good many more plus signs—they are not a minus margin all the time—and that is due to the fact that the byproducts of the lamb are not worth nearly so much as the byproducts of the beef.

In the food investigation referred to above it is not my understanding that the committee found evidence of excessive profits but only of excessive distribution cost. Isn't that true, Senator Capper?

Senator CAPPER. That is correct.

Mr. MOLLIN. I do not see how this would be remedied under the bill you are considering, inasmuch as the control is on the first processor, who is not making an undue profit under present conditions and plainly could not absorb any part of a processing tax.

On the first page of charts marked "No. 3" you will find for the years 1929 to 1931 a chart showing the relative trend of retail and wholesale beef prices at New York compared with steer prices at Chicago, bearing out the statement I made above. This chart was used at the Capper hearing, only I think it went back for a period of 10 years and it shows a big spread between the wholesale carcass price and the retail price and the narrow spread between the wholesale carcass price and the steer price.

I hand you a booklet entitled "Beef Cattle Outlook Charts", marked "No. 4", and while the pages are not numbered, I have turned down the corners of two, marking them "A" and "B". Chart A shows that for 20 years we have not been on an export basis for beef, except during the war period, when we reduced our own consumption to send the meat to the Allies and, as stated above, our industry has not yet recovered from that condition. We are today receiving some slight imports of live cattle, of dressed beef, and of canned beef.

I call your attention especially to the chart marked "B". This shows for the years 1921 to 1930, in the upper part of the chart, the wide fluctuations in cattle prices reaching a peak generally in May and a bottom generally in November of each year. The other line is that of retail meat prices, and you will note that these prices refuse to follow either the peaks or the depressions; that is, I mean to a marked extent. That line runs pretty constant where we have a jig-saw line of the live-animal prices. And that in every case, when the livestock receipts have been light and the market has advanced sharply, it is the retail price that has called a halt and pulled down the price of the live animals. This is clearly shown in the years 1928 and 1929. I don't believe there is a single major commodity which is so sensitive to the retail price of its product as is our commodity, cattle.

I wish to call your attention particularly to that. In 1928–29, you notice the cattle price started up and the retail price wouldn't go and pulled it right down and it repeated the next year. It shows the retail price governed the price of the cattle.

Senator **Capper**. That was probably due to lack of purchasing power to some extent?

Mr. **Mollin**. I suspect it was.

Senator **Capper**. To a great extent?

Mr. **Mollin**. Yes, sir. I hold no brief for the packers. They can speak for themselves. We work with them when we can, and fight them when we have to, but we are impressed with the fact today that they are selling our product as high as conditions will permit.

I call your attention to the fact that under conditions today the packers have not found it profitable to store meat, or possibly it has been impossible to finance normal storage operations. Whatever the reasons may be, the stock of every kind of meat in storage today—beef, pork, lamb, lard also—is materially below what it was on March 1, 1932, and also materially below the 5-year March 1 average. That applies to every one of the 10 major classifications of meat which is stored and also to lard.

We are fearful that a processing tax would further discourage any storage operations, would force the packers to operate on a hand-to-mouth basis, and would absolutely limit the sale of meat animals to the amount that could be forced into consumption on a fresh-meat basis. This might easily result in congested markets and would interfere seriously with the natural movement of livestock. Any reduction of consumption that would result from the operation of this law would be disastrous. How in the world are you going to prevent substitution with the host of commodities that are available; and where is the fairness in taxing competing commodities, produced by another set of domestic producers, putting the money into the United States Treasury while a few favored commodities are offered benefits under this bill? Oleomargarine is one thing specifically referred to in this bill as one of the competing commodities that should be taxed. Thousands of people can't even buy oleomargarine that is selling at 10 cents a pound. It has no effect on butter consumption. Those people are out of the butter market, they couldn't buy it if they wanted to.

What would happen when the poultry and egg people were informed that a compensating tax would be placed on their products? I don't see how you could enforce such a tax. There are thousands of little ranches all over the country selling poultry at the door. My sister operates that way in California. She sells a couple of hundred fryers a year to people driving in the yard. You couldn't collect a tax on those people. I don't know why you want to boom the poultry business at the expense of other parts of the meat business.

How are you going to prevent substitution of fish when the bill, on page 7, refers to any competing agricultural commodity? Mr. Loomis made some suggestions about the language of the bill last night but if you are going to include meat in this bill, it seems to me you ought to take out the word "agricultural" on page 7 and also the same language is used on pages 15 and 16 in 5 or 6 places. Fish isn't a competing agricultural commodity but it is a competing commodity. Unless you take out the word "agricultural," I don't see how you could get any application to fish.

I have received several unsolicited wires from our affiliated organizations in the West, since reaching Washington, every one protesting against the inclusion of cattle in this bill. I am not going to offer them in my limited time. These have come from New Mexico, Montana, Utah, and Wyoming, and I have been in contact, before coming East, with stockmen from other States adjoining, and the feeling is very strong against the inclusion of cattle. We realize fully the seriousness of cattle. We realize fully the seriousness of the situation. We know that more cows in the country mean more calves, and that meat consumption must be increased and not decreased. We can conceive of no industry where it would be more difficult to control production under the working of this law than the livestock industry. Land may lie fallow without protest, but the processes of increase or decrease in production of cattle in particular are slower and more difficult.

There are some things that can be done to help the situation, such as shutting off the huge imports of foreign oils—there is more than a billion pounds of oil imported into this country annually—which come in competition with our fats. Our association has pleaded for 25 years for an adequate tariff on hides and has been repeatedly denied. We do not see in this bill any method of controlling the imports of these raw materials which are serious indeed. There seems no application to the compounds made of cottonseed oil which come in competition with hog and beef fats. Give us such assistance as you can in the ways I have mentioned, and I believe it is the consensus of opinion of Western cattlemen today that they will continue to fight their own battles and to hope that artificial measures of this kind will not later have to be applied to our commodity.

Senator Norris. Referring to your reference to freight rates, I wish you would elucidate a little more. You spoke of freight being paid several times. Give us an illustration.

Mr. Mollin. The South is the long-time breeding ground. Cattle are moved from the South up possibly through the Denver market to ranges in Nebraska or Wyoming or Montana or South Dakota. A great many of the sand hill operators in your State, Senator, don't have cow herds. They buy young steers in Texas, then they may move from western Nebraska down to a feed lot in eastern Nebraska or Iowa or Illinois, or they may even go on down there and go to somebody that is buying stock cattle and let them run a year or two. There might be still a third movement before they go into the feed lots. Then they go into Chicago as fat cattle. Then the finished product is distributed from Chicago throughout the East.

Senator NORRIS. Have you ever in a particular instance made a computation to show just how much transportation there was in a beefsteak in New York City?

Mr. MOLLIN. No, I haven't, Senator.

Senator NORRIS. There would be more than the ordinary person thinks of, wouldn't there?

Mr. MOLLIN. Yes, sir; it would be very startling. I do know that some of our stockmen who testified in this recent hearing in Denver on sale and transit complained that on shipments to Kansas City the marketing charges last fall were almost a third of the gross. That was on mixed cows.

Senator NORRIS. That beefsteak probably first started away down in southern Texas?

Mr. MOLLIN. Yes.

Senator NORRIS. And was shipped away up to Wyoming?

Mr. MOLLIN. Yes, sir.

Senator NORRIS. And from Wyoming it was shipped again to eastern Nebraska, probably?

Mr. MOLLIN. Yes, sir.

Senator NORRIS. Where it was fattened?

Mr. MOLLIN. Yes.

Senator NORRIS. And from there it was shipped to Chicago, where it was killed?

Mr. MOLLIN. Yes.

Senator NORRIS. And from there it was shipped to New York City?

Mr. MOLLIN. Yes. Then there might be another movement yet before it got to some town in New York.

Senator NORRIS. Exactly. So as a matter of fact while Congress hasn't given it any consideration and the great bulk of men interested in it like your organization and the farmers generally don't appreciate how much transportation there is in these farm products from the time they originate until they reach the consumer——

Mr. MOLLIN. Yes, sir; that is true.

Senator NORRIS (continuing). It is one of the important things involved in it?

Mr. MOLLIN. One of the most important.

Senator NORRIS. But we don't find anybody or very many people at least saying anything about it?

Mr. MOLLIN. Well, we have petitioned for lower rates and reopened docket 17000 which was just decided recently and now we have just gone back to the Commission and petitioned for a general decrease. I don't think there is any single thing that could be done today that would do more to start the wheels of commerce going than to reduce those freight rates.

Senator NORRIS. I know it will help very materially. You and I may have an exaggerated idea of its importance but it is very important and very material and doesn't receive very much attention.

Senator KENDRICK. Is it not true, Mr. Mollin, that your association has made fruitless efforts to reduce the charges in the yards on the movement of livestock?

Mr. **Mollin**. The marketing charges?

Senator **Kendrick**. Yes.

Mr. **Mollin**. Well, we haven't gotten any place with yardage charges but the Commission charges have been quite generally reduced in the past 2 years under the operation of Packers and Stockyards Act.

Senator **Kendrick**. Are there not also abuses at the present time in the charges for feed and forage and grain in the yards?

Mr. **Mollin**. Yes. That is a peculiar situation, Senator. Corn has gone down so low that the margin that the packers and the stockyard administration allowed of 40 cents when they made some of these decisions a year or two ago is now out of line. That as a handling charge for corn didn't look so bad when corn was a higher price but now when corn is 10 cents a bushel and the Packers and Stockyards Act allows 40 cents, it is out of line. I think there are greater abuses in outlying feed yards than in the marketing centers. There have been numerous reductions in feed charges.

Senator **Kendrick**. May I ask the margin between the cost of forage and hay on the farm nearby the stockyard and the price charged in the stockyards?

Mr. **Mollin**. The Department is allowing ten to twelve dollars a ton as a margin over the delivered cost. Of course, you know the system there is pretty expensive. People call up and they want hay right then and they have to have men there to deliver it. They allow ten to twelve dollars margin, but there have been three or four reductions on feed charges at most of the markets. However, with this almost valueless condition of farm commodities, they still look high, but most of it is handling charge. In the outlying feed points, railroad operated, the sky is the limit in some places.

Senator **Capper**. Mr. Mollin, you made a very strong statement, particularly from the standpoint of the buying feeders and shippers and those who are engaged in the livestock industry on a large scale. The typical Kansas farmer is one who has a quarter section of land and some steers and cows and a bunch of pigs. I am wondering whether you feel that you speak the wishes also of that man. I don't doubt that you speak for those men engaged in the livestock industry in a larger way. I wonder if you feel that you speak for the small farmer who I say has got just a small herd of cows and steers and some pigs and whether your stand would be to his interest?

Mr. **Mollin**. I don't pretend to speak for the small farmer. They don't belong to our association, and I would rather that you took your cue from their own representatives. I have told you what I think about the general application of the bill as a general proposition to meet. We think that cattle and sheep should certainly be eliminated from the bill. What worries us about it is that provision for compensating taxes. If you leave hogs in, are you going to put compensating taxes on beef and lamb? We have got this increased production in cattle and this year and next year we know we have got to eat more beef in this country. It has got to be eaten. So if there is anything done here artificially to tend to retard consumption, we will be in an awful jam.

Senator **Kendrick**. I think you have given a wrong impression as to your association. As I size it up, your association is one of many members. Your membership includes how many?

Mr. MOLLIN. We have all the State organizations west of the Missouri River affiliated with us except the one in Kansas. We work closely with Mr. Mercer but the Kansas association is not officially a member. Of course, there are more farming operations in the West now than used to be.

Senator KENDRICK. Isn't it true that your State associations who are accredited members of the parent association include almost every small producer of cattle and sheep in the State?

Mr. MOLLIN. As a range producer. I took Senator Capper's question to be directed to the farm producer. We don't have so many of those, the man who has a few cows and pigs, we don't have so many of that kind even through our affiliated membership.

Senator KENDRICK. I had much to do with that association a few years ago and I think it is reasonable to say that you include now a thousand small producers?

Mr. MOLLIN. Oh, we have lots of small ranchers and all these small ranches do farm some but we think of them as ranchers and not farmers. We have fellows that have only a hundred or two cattle, and they naturally conduct farming operations along with their cattle operations in many parts of the West, but we think of them as cattlemen and not as farmers.

Senator CAPPER. Have you mentioned here everything that you believe can be done as far as Congress is concerned that would help to get a better price for livestock?

Mr. MOLLIN. I think I mentioned the principal things; I think the restriction of imports of fats and hides and the reduction of freight rates and the reduction of mortgage interest through the bill that I understand is just about to be introduced. I think those are things that will benefit. I believe Senator Norris yesterday asked Mr. Farr about the loans made by the R.F.C. I think we would have disastrous liquidation of the livestock industry if it hadn't been for those institutions, largely because the banking situation was such that even banks that are good won't carry their people that have been doing business with them for years. I know of ranchmen that have done business with one bank for 20 years and their loans were called, and the bank that called these loans when this crisis came were 85 to 95 percent liquid.

Senator NORRIS. I hope you didn't misconceive the point that I had in mind when I was asking that question. He had been talking against the Government going into business. I was wondering whether he objected when the Government went into business in the instances I named.

Mr. MOLLIN. It is true, as Mr. Farr explained, that the feeder has a better means of credit than the producer. A feeder loan is a liquid loan and you put an animal in the feed lot and he is consuming 20 pounds of grain a day and he is supposed to be getting more valuable every day, and those loans are desired. As bad as conditions have been this fall, banks in Denver and Kansas City have advertised they wanted feed loans. They get a pretty fair rate of interest and it is a short-time loan. Those same banks that finance Mr. Farr and are financing him today wouldn't loan a dollar to a rancher that is just as good security and in just as good shape, because they don't want that kind of loan. We have to have some means of getting long-time loans. The ordinary means has been the Federal intermediate credit banks which is not Government money, but they have been too conservative and haven't done the job they should have done.

Senator CAPPER. And the rates are still too high?

Mr. MOLLIN. Yes; I think they are too high.

Senator CAPPER. I think you are right about the interest charges being a factor in this and right about the transportation costs and that applies to the small farmer as well as the big cattle producer?

Mr. MOLLIN. Yes, sir.

Senator NORRIS. It applies to the consumer, too; everybody that has anything to do with this product. There is a whole lot of price that the consumer pays that is eaten up with some form of transportation. The illustration that the witness gave doesn't complete it, there are transportation costs in the feed that go in, all the way from the beginning?

Mr. MOLLIN. Yes. There is a transportation cost in that little clip.

Senator NORRIS. There is nothing from the cradle to the coffin but has transportaton costs in it?

Mr. MOLLIN. I would like to say that I think the trouble maker in this bill is the compensating tax on other domestic commodities.

Senator NORRIS. Assuming we are going to pass the bill, we have to have it in it somewhere?

Mr. MOLLIN. I don't know. In the case of hogs, supposing the thing worked, you could raise the price of hogs $2 a hundred and still, according to the figures given, they wouldn't any more than be on a pre-war parity with cattle and sheep then.

Senator NORRIS. You can get the hogs produced from the beginning much quicker than you can cattle?

Mr. MOLLIN. Yes.

Senator NORRIS. Probably the hog industry doesn't present the same difficulty that yours does right now. It wouldn't take very long to change it if they went to raising hogs?

Mr. MOLLIN. Yes, of course the diminished outlet for lard would keep them from doing that. They used to export so much more lard.

Senator FRAZIER. If hogs were left in the bill and cattle and sheep taken out and there was increase in the meat products of pork, that would tend to increase use of beef and mutton. Wouldn't a compensating tax be necessary if they were going to continue in the hog business without hindering them?

Mr. MOLLIN. The way the Secretary explained the matter, until at least you had reached the parity I don't see why there would. As I understand it, roughly, there is about $2 on cattle and $2 on sheep and $4 on hogs below the pre-war parity.

Senator FRAZIER. The theory is that if the people are used to buying pork chops at a certain price and they are raised, they will look for something else. On this freight-rate question, I agree with you that freight rates should be reduced by all means. However, up across the border in Canada they have cheaper rates. Are their stockmen any better off?

Mr. MOLLIN. I don't know that they are, for the reason that they haven't got the consuming market that we have got. They are producing a surplus and having to export it to England since we put up our tariff bars. We are on a domestic basis on cattle and they are not.

Senator **Frazier**. Yes; that makes some difference. But, of course, more than freight rates has to come in here to clear up this situation.

Senator **Murphy**. Have you made any computation in dollars of the benefits to cattle industry and hog industry from putting a duty on competing vegetable oils, those that compete with our animal fats?

Mr. **Mollin**. No; I haven't. But I do know that the total imports are over a billion pounds, and that is one of the reasons that we are having this bad situation with lard. You know lard sold as cheap as 5 cents a pound or less.

Senator **Murphy**. I realize that. I wondered if you could express in dollars——

Mr. **Mollin**. No; I don't think I could, Senator. It is a pretty involved subject.

Senator **Murphy**. It is a very formidable competitor?

Mr. **Mollin**. Yes, it is, and it is reponsible in some measure for the condition of lard, I think.

Senator **Frazier**. Mr. Chairman, I have a telegram this morning from Charles A. Ewing, president of the National Live Stock Marketing Association. The tenor of his telegram is so contrary to what Mr. Mollin says that I would like to place it in the record. He says:

> We strongly endorse this bill and urge its enactment into law.

and

> To leave livestock out of farm relief is unthinkable.

(Senator Smith had returned to the committee room during the examination of Mr. Mollin and had resumed the chair.)

The **Chairman**. Without objection, it may be placed in the record.

The telegram referred to is as follows:

CHICAGO, ILL., *March 27, 1933.*

LYNN J. FRAZIER,
Senate Committee on Agriculture, Washington, D.C.

Livestock graze two thirds of the United States, consume 70 percent of crops raised; its products approximate half in value of our whole agricultural output; it is the most important factor in agriculture, occupies more land, employs more people, and its surplus is small compared to wheat or cotton. Livestock prices are far below the cost of production and the producer gets only 25 to 35 cents of the consumers' dollar. Nothing will aid the recovery of agriculture more than better prices for livestock.

The National Live Stock Marketing Association is producer owned and controlled, its members market the stock of some 300,000 stockmen throughout the country; our markets extend from Baltimore to San Francisco. We were consulted by the Secretary of Agriculture on the proposed legislation. Its objective to raise livestock prices to a pre-war parity is necessary to save further damage to the industry and compatible with public interest. The pending bill is a great improvement over previous proposals; it provides several methods which may be used under varying conditions as required; it invites cooperation between producer and processor in its accomplishment. We strongly endorse its enactment into law. To leave livestock out of farm relief is unthinkable.

CHARLES A. EWING,
President National Live Stock Marketing Association.

The **Chairman**. I must insist that the witnesses be as brief as can be with clarity, because we want to close these hearings today, and we will now hear from Mr. Streeter, who is a producer of hogs.

Mr. Streeter, please give your full name, address, and occupation to the stenographer.

STATEMENT OF C. D. STREETER, FARMER, OF KEOKUK, IOWA.

Mr. **Streeter**. I am C. D. Streeter, Keokuk, Iowa, operating a farm in Illinois.

Senator **Norris**. You live in Iowa and farm in Illinois?

Mr. **Streeter**. Yes, sir; it is just a hundred miles, two hours and a half from the farm.

Senator **Kendrick**. Is your farm an experimental farm?

Mr. **Streeter**. Well, not so much as this bill is, I don't think, Senator. [Laughter.]

Senator **Frazier**. I am wondering why you go to Illinois to farm. Did you lose your farm in Iowa?

Mr. **Streeter**. The farm was given to me and I run a lumber yard in Keokuk, Iowa. I have to work in the lumber yard in order to pay the expenses on the farm.

Senator **Frazier**. Your farming is a sort of side issue?

Mr. **Streeter**. The amount involved is more but of course I don't give it quite as much time.

Senator **Frazier**. If you have to run your lumber yard to pay the losses on your farm, I should think you would be in favor of farm relief?

Mr. **Streeter**. Yes, I am, but in a different way. What I want to say in addition is that I am vice president of the Hampshire Swine Record Association, with headquarters in Peoria, Ill. I have a telegram from our president, J. H. Oliver, and I speak for the association. Shall I read that, Mr. Chairman?

The **Chairman**. You may read it.

Mr. **Streeter** (reading):

> With knowledge inadequate as to just what farm bill does provide and with minute to minute changes only judgment possible is an opinion that price fixing provision for all agricultural commodities will fail to produce desired results and that processing taxes on commodities will be passed to consumers as additional tax on necessities. Believe it best judgment to rise or fall with the rest of the commodities by hogs staying in the bill if other meats stay in or come out if they are out.

I want to say further that Mercer County, in which my farms are, I think is possibly the largest shipper of livestock in the State of Illinois. I own and am farming 680 acres of land in the State of Illinois and each year produce thereon approximately 2,000 head of hogs. I marketed hogs every month last year. I am, therefore, interested in the farm relief measure that has passed the House and now pending before the Senate to a very substantial extent. Being a farmer thus interested I am especially interested in what is termed "farm relief." Every form of legislation, therefore, that tends to improve the farm condition has my heartiest sympathy.

I have given consideration to the farm bill now pending and to the discussions in regard to it and I feel that the bill, if enacted substantially in the present form, will be a great detriment to the farmer rather than of advantage to him. I do not wish to discuss the entire bill, only as it relates to livestock and especially hogs. The act itself recognizes a tax; and when you speak of tax to our farmers, it is just like waving a red flag in front of a bull. They are taxed now to such an extent that that tax is obnoxious to them.

Mr. **Frazier**. Doesn't that depend on who is paying the tax?

Mr. **Streeter.** Well, they usually do it. The difference between the actual price paid and the theoretical fair price is to be imposed upon the first processor as a tax and paid into the Treasury. This tax will have to be borne then either by the processor, by the ultimate consumer, or it will be pushed back on the producer. It stands to reason that this tax will have to be absorbed by one of these three groups.

The Department of Agriculture has issued statistics indicating that the per capita consumption of pork has had only a very slight fluctuation during the last 28 or 30 years, the amount consumed being from 65 to 70 pounds per capita. The same source of information indicates that in 1907 the per capita consumption of all meats was 167 pounds while the per capita consumption for all meats is now from 30 to 35 pounds less. Pork has, therefore, maintained its own as a food. Let me remind you right here that pork is the poor man's meat.

It seems to me, however, that to impose an added tax on pork will cause the consumer to shift his purchase to some other food article, such as fish, poultry, beans, or eggs.

If therefore the tax cannot be passed on to the consumer, will the processor o[illegible]acker absorb it? The packer may be able to absorb some of it but he certainly cannot be expected to absorb the entire tax. In fact, it is extremely doubtful whether he will be able to absorb any of the tax and continue in business. The effect of this bill will destroy the farmer's cash market. There are approximately 6,000,000 farmers in the United States. There are approximately 4,500 counties in the United States and about 2,500 of these produce wheat. Something over 1,000 produce cotton, and perhaps between 3,000 and 3,500 counties produce hogs.

The problem of administration is staggering. Secretary Wallace stated in your presence last week that he did not know the cost of administering this bill. There will be an army of clerks and auditors and checkers and it looks like the beginning of the biggest bureau that the Government has ever undertaken in peace times. All of the expense of this giant bureau under the provisions of the act, will be taken out of the tax and only the residue be distributed to the farmers. I do not want you to get the idea that I am opposed to farm relief. I am trying to present to you fairly my view of the provisions of the proposed farm relief measure. It seems to me that this measure attacks the question from the wrong point. Its diagnosis of the farmer's ills looks to production as a sore spot. It seems to me that this is the wrong sort of diagnois. Our whole theory of civilization has been built upon the idea of encouraging the production of food and raiment. It has been said that he was a public benefactor who would produce two blades of grass where one grew before. Our Government has proceeded along that line from its earliest foundation by building up the Department of Agriculture and by establishing agricultural schools throughout the country. We have put a premium on education. We have been trying to give a reward to the producer.

Now to turn around and say that the producer has learned too much and is producing too much is all wrong, unless not only in this country but throughout the whole world there are no hungry mouths. So long as there is a hungry mouth or a naked body too much food and clothing has not been produced. Until there are no hungry people and no naked people or people going around in rags can it be said that too much has been produced.

I hope, therefore, that you may be able to work out an adequate farm relief measure but I feel confident that if you will give due consideration to the provisions of the present measure you will find that it is economically unsound, difficult of administration, and doubtful if not practically of no value to the farmer. In fact, in my own mind, I think it will produce a greater disaster than any that the farmer has experienced in the past. The hog producers want hogs left out of this bill.

Now I speak with authority on that. I have interviewed a great many farmers in our community and I haven't yet talked with one farmer that is favorable.

Secretary Wallace stated last week that this bill is an experiment. If it is the desire of the Secretary of Agriculture to experiment, I trust that you will not permit him to experiment with hogs. If you wish to help the farmer it can be done in three ways—lower governmental expenses, lower our taxes, and give us relief with our mortgages. And I think we will go along. That is my story.

Senator NORRIS. You haven't any other remedy for farm relief except those three you suggested?

Mr. STREETER. That is all I have to suggest, Senator.

Senator NORRIS. You think that would bring prosperity to the farmer?

Mr. STREETER. It will be a wonderful help.

Senator NORRIS. In the first place, you realize, I presume, that so far as Congress is concerned, the reduction of taxes to the farmer would be a very small item. Most of his taxes come from local taxation, State taxation, county, and municipality, and so forth?

Mr. STREETER. Yes.

Senator NORRIS. We don't relieve him of that.

Mr. STREETER. No.

Senator NORRIS. So far as we are concerned, your method is confined to two remedies?

Mr. STREETER. Yes; I think that is true, as far as you can go with it here.

Senator NORRIS. One way would be to try to lower the interest rate of the mortgage indebtedness?

Mr. STREETER. That would help wonderfully.

Senator NORRIS. You realize that on that we are terribly handicapped; we can't compel a man holding a mortgage to cut it down, and neither I presume could a State under our Constitution?

Mr. STREETER. If you start right here in Washington, Senator, and show the people where you are going to cut expenses and costs, I believe it will continue right along the line clear down to the farmer. I think the mortgage holder will also fall in line and be more lenient.

Senator NORRIS. I think that is true, and as I understand it, Congress will try to do that before this session is over and probably have such an amendment on this very bill when it is passed; but I don't want anyone to get the idea that that road is free from difficulties and some impossibilities probably, because we would be at the mercy of the mortgage holder. It would have to make it to his interest to compromise or he wouldn't do it.

Mr. Streeter. Yes; but I believe that if the mortgage holder feels that the farmer is gaining a little, eventually he is going to be able to reduce or pay off that mortgage.

Senator Norris. Do you think the farmer can get out unless he can get higher prices for his commodity, even if all the mortgages were cut in two and the interest cut in two? He coundn't get out, could he, unless there was some method brought about so that he could get a higher price?

Mr. Streeter. I have serious doubts. I would like to say this, there is quite a different feeling, Senator, among the farmers in the last two weeks. Two weeks ago I went out to buy some corn. There is lots of corn in the country but they didn't want to sell, everyone of them, you would think they had gotten together.

Senator Norris. What price were you offering?

Mr. Streeter. The market price, which at that time was 15 cents.

Senator Norris. You couldn't blame a farmer for not wanting to sell his corn for 15 cents?

Mr. Streeter. Oh, no; it would be selling it at a loss. But that was all it was worth to ship it.

Senator Norris. Before that farmer can pay off that mortgage, if you reduce it, wipe it out entirely and forgive it, which is an impossible thing and we can't expect that——

Mr. Streeter. No.

Senator Norris. You have got to let him get more than 15 cents for corn?

Mr. Streeter. Absolutely.

Senator Norris. If he didn't owe anything on his farm, he couldn't live and pay his taxes?

Mr. Streeter. You are absolutely right.

Senator Norris. Then it seems to me that another one of your remedies almost disappears. It would help some, I concede, but it wouldn't save this situation. Then you have got nothing left of your remedies except that of reducing governmental expenses here, salaries and so forth, and the consolidation of bureaus. That might help a little but it wouldn't be very much for the farmer, would it?

Mr. Streeter. Well, perhaps it would be more mental.

Senator Norris. You mean a matter of psychology?

Mr. Streeter. Yes.

Senator Kendrick. Pardon me, Senator. Mr. Streeter, is it not true that there is a widespread movement under way now on the part of the State and county and municipal governments to reduce their own taxes and put their financial houses in order to meet this very situation?

Mr. Streeter. That is being undertaken, Senator.

Senator Kendrick. I hardly know a State that isn't reducing its budget of expense, many of them to the extent of a flat 25 percent reduction in the last legislature. Also, it is an interesting thing here to state that I saw corn sold in the Senator's State at 10 cents a bushel and bought thousands of bushels of it at that to feed cattle and those prople worked out of that somehow. It was a long time ago but there were lower prices than the present price on commodities.

Mr. Streeter. Of course we have seen lower prices.

Senator Norris. They may work out of this in time if they don't do anything, undoubtedly.

Mr. **Streeter**. I think so. I was talking to an old gentleman, a large shipper of livestock, and he said, "Charlie, these conditions right now are very similar to early in '71 or '72. The farmers all over this county brought in their hogs to your father, turned them over to him. There was no agreed price. Your father shipped those hogs to Chicago and farther East and he waited 6 months before he got his money from the packers. Then he got actual money, no checks or drafts, and he put it in his saddlebags and went around to these different farmers and paid them for their hogs. They grew out of that and became prosperous."

Senator **Norris**. That operation, while it was possible, was a hardship even then, but it would be an impossibility now?

Mr. **Streeter**. Oh, yes.

Senator **Norris**. You couldn't buy corn from these farmers and have them wait 6 months to get their pay?

Mr. **Streeter**. They can't wait.

Senator **Norris**. That is an impossibility. You might as well forget it.

The **Chairman**. We are much obliged to you, Mr. Streeter.

Mr. **Streeter**. Thank you for the opportunity.

The **Chairman**. We will now hear Mr. Blalock, of the cooperative organization of North Carolina.

Mr. Blalock, please state your name, address, and occupation.

STATEMENT OF U. BENTON BLALOCK, GENERAL MANAGER OF THE NORTH CAROLINA COTTON GROWERS COOPERATIVE ASSOCIATION AND PRESIDENT OF THE AMERICAN COTTON COOPERATIVE ASSOCIATION OF NEW ORLEANS, LA.

Mr. **Blalock**. My name is U. Benton Blalock. I am a cotton farmer, and general manager of the North Carolina Cotton Growers Cooperative Association and president of the American Cotton Cooperative Association of New Orleans, La.

Senator **Thomas** of Oklahoma. Where is your farm located?

Mr. **Blalock**. In North Carolina and South Carolina.

Senator **Thomas** of Oklahoma. You are a cotton farmer in the main?

Mr. **Blalock**. Yes, sir.

Senator **Thomas** of Oklahoma. How much land have you planted to cotton ordinarily?

Mr. **Blalock**. Ordinarily about 300 acres. I also raise livestock and fruits and grain. As an organization the American Cotton Cooperative Association is favoring the House agricultural bill for the following reasons: First, we believe it will not only be a real benefit to our more than 248,000 members of our association but it will be equally beneficial to all cotton producers. We stand for a speedy enactment into law of the bill because our planting season is now upon us, having already started in the lower part of the belt, and unless something is done to help us control acreage, we are threatened with a substantial increase in acreage over last year's acreage. The United States Department of Agriculture is not allowed to give out a report on intentions to plant on cotton but an authority, one we consider very reliable, was responsible for the estimate that the cotton acreage will be increased this year more than

7 percent over last year's acreage unless something is done and done speedily to help us hold it down.

We are supporting this bill because it is a nation-wide bill, having for its purpose the raising of price levels of nine of our basic farm commodities. The raising of price levels on the nine major crops will eventially reflect higher price levels on all other farm commodities.

We are backing this agricultural program because it is the agreed-upon proposal of nearly all of the farm organizations and cooperative associations. Representatives of these farm groups met here in Washington some two weeks ago and after much serious consideration and discussion, uninfluenced by outside agencies, unanimously agreed that American agricultural conditions were so desperate and so acute that they should be treated as an emergency proposition and that the President of these United States and the Secretary of Agriculture should be given full authority and wide latitude to lift American agriculture out of its more than a decade of depression. We need a general agricultural bill, flexible enough to handle all basic commodities. A plan that will work on one commodity successfully might not work so successfully on another, but we cannot stop here, however. If we are to look to the rehabilitating of American agriculture as a way out of this general business depression, the farm-mortgage debt of this Nation must be refinanced on a lower interest rate and easier payments, and the almighty-sacred gold dollar that this Nation has worshipped so long and so devoutly must come down off its high pedestal or some other change made in our monetary system. It is absolutely unfair and impossible to expect the farmers of this Nation to meet their mortgage indebtedness and their tax payments so long as our American dollar can buy 4 or 5 times as much of the farmer's commodities as it did in normal times.

It was brought out in the testimony yesterday how in war times we encouraged and taught the American farmer to speed up his production as a patriotic duty. In my opinion, this is one of the causes for our having overproduction today. We taught the American farmer how to operate in high gear but have not taught him how to get back into low gear in production or even into intermediate. If the situation was not so tragic, it would be amusing to listen to some of the testimony in opposition to this bill. They all claim to want to help the farmer but it is quite noticeable that the remedies they proposed usually shift the burden to some other group: Reduce the value of farm mortgages, lower the interest rates, lower the freight rates, reduce the tariff, and above all, keep the Government out of "my" business.

One of the doctors testifying yesterday claimed to represent a group of farmers. After viewing the patient, he was in favor of a policy of doing nothing, letting nature take its course. Following this course for the past several years has brought the farmer down to the condition where he is now paying 106 cents for what he is buying and receiving 46 cents for what he sells as compared to pre-war prices. We think it is high time to change the prescription if the patient is to live.

I read about the desperate plight of our western brother farmers, of their sufferings on account of low prices for their products, of their banding together in a Custer's-last-fight attitude to save their homes and farms from foreclosure, but the conditions of the cotton farmer of the South is a stern reality to me. I know that the landlords are unable to pay their mortgage indebtedness and that rents are not equal to taxes. I know that tenants have been reduced to mere serfs. I know that farm laborers with their measly daily wage of 40 cents a day cannot even buy the bare necessities of life for themselves and their families.

It is absurd to even think of still following a policy of letting nature take its course under conditions like these. We have a President in the White House, elected on a promise to give American agriculture a new deal. We believe he was sincere in making that promise. Give him the machinery as carried in this bill and we believe that the President will carry out his promise to American agriculture.

That concludes my statement, Mr. Chairman, with the exception that I would like to show just how we are stepping up in overproduction in cotton, and I would like to have some of these doctors to advise us where we are headed if we continue to let nature take its course.

In 1929, July 31, 1929, we had a carry-over of American cotton of 4,517,000 bales; July 31, 1930, that overproduction had stepped up to 6,187,000 bales; on July 31, 1931, it was 8,919,000 bales.

Senator **Norris**. That is the carry-over you are speaking of now?

Mr. **Blalock**. Yes, sir.

Senator **Norris**. It isn't the total production?

Mr. **Blalock**. No, sir. It is estimated this year we will have something in the neighborhood of 13,000,000 bales carry-over.

Senator **Kendrick**. Can you give us the annual consumption of cotton along with those figures?

Mr. **Blalock**. Yes, sir. Consumption of American cotton in the world by months——

The **Chairman** (interposing). Have you the total by years?

Mr. **Blalock**. Yes; I have that, Senator.

The **Chairman**. In order to show this picture as it should be, it might be well to start back about '26 or maybe '25.

Mr. **Blalock**. 1926, the total consumption of American cotton in the world, starting with 1925–26 was 14,000,000 bales. I will give it to you in round numbers. The next year it was 15,748,000; 1927–28 15,576,000; 1928–29, 15,226,000; 1929–30, we dropped back to 13,000,000; 1930–31, and that is as far as I have the figures, we dropped to 11,113,000 bales.

The **Chairman**. And in '32?

Mr. **Blalock**. They estimate a little over 12,000,000 bales.

Senator **Thomas** of Oklahoma. How much cotton have we in the world at this time?

Mr. **Blalock**. I think I have a report issued by the Department of Commerce on March 20 on that, Senator.

Senator **Thomas** of Oklahoma. How much cotton have we on hand in the world now, all the cotton in the world?

Mr. **Blalock**. I don't believe I have those figures before me, but we have in this country in public storage and in compresses and warehouses, according to the March 20 report of the Department of Commerce, 9,379,000 bales. That doesn't take into consideration that held abroad.

Senator **Norris**. In addition to that, as I understand your testimony, notwithstanding this enormous amount of cotton we have on hand, you have testified from reports that you consider reliable that we are going to have an increase in acreage this coming year of over 7 percent?

Mr. Blalock. Yes, sir.

Senator Norris. That seems to me to make us face an almost impossible condition?

Mr. Blalock. Senator, it does, but what can they do otherwise than plant cotton? They can't raise wheat at the price it is. They can't raise hogs.

Senator Norris. It seems to me we are reduced to this proposition that we must do something to enable the people to buy cotton who can't buy cotton now.

Mr. Blalock. I raise some hogs, I send them to a local packer not very far away, about 80 miles. The last shipment of hogs I got a little over 3 cents a pound for them. A 200-pound hog brings six or eight dollars.

Senator Thomas of Oklahoma. What commodities do you produce on your land that pay you the cost of production?

Mr. Blalock. Not a thing in the world that I can figure out today.

Senator Thomas of Oklahoma. You raise nothing that pays the cost of production?

Mr. Blalock. No, sir. I have a small herd of cattle, small herd of sheep. I raise some hogs and a flock of hens and all. I don't get it out of anything.

Senator Thomas of Oklahoma. I am not asking you a personal question, but presuming you were an average farmer, you would have a mortgage on your land?

Mr. Blalock. Absolutely.

Senator Thomas of Oklahoma. You would have a rather high tax to pay?

Mr. Blalock. Yes.

Senator Thomas of Oklahoma. Assuming that we could by some legerdemain remove your mortgage, assuming that you had one?

Mr. Blalock. I don't mind admitting, Senator, that I do have one. Part of my land is mortgaged, not all of it, I am thankful to say, but part of it is.

Senator Thomas of Oklahoma. Assuming that we can eliminate that by some sort of legerdemain, you have no mortgage on your land now. Assuming that we can by the same unknown process remove all taxes against your land, you would then have no taxes to pay and no interest to pay, no mortgage debt to pay. Could you then live on your land under present prices?

Mr. Blalock. Senator, I think I could answer that very clearly by quoting from a short speech I made at a tax meeting in my State not long since, at the capital in Raleigh. I briefly cited just three cases that I knew personally about of where farmers were unable to meet their tax payments. One was that of a neighbor farmer of yours, Senator Smith, in your State. He has a small farm. He told me he lived under conditions when he sold cotton at 5 cents a pound but he was able to live and get along. He said the taxes at that time were $8.50. Today they are more than a hundred dollars. Knowing the little farm, I have no doubt it takes half the cotton he can produce to pay half the taxes. Case No. 2 is that of a young man who was in my office and told me his father owned 175 acres of land.

A year ago his father deeded 25 acres and the home place to his mother. He was unable to cultivate the land and get anything out of it and he couldn't rent it and he told the tax authorities to sell the other 150 acres. I had a copy of a letter in my hand of a farmer who had written to a sheriff of a county stating that he owed $230 back taxes on about 500 acres of land. At that time the land was yielding practically no income at all. It was in a special school-tax district. His proposition was if you can get the tax authorities to reduce that tax on that land to $50, he would try to continue to hold it and pay the $50 taxes and pay up the taxes in arrears, otherwise he was ready to deed it to the school. He didn't want it.

Senator THOMAS of Oklahoma. I don't believe you caught the import of my question. Some of the witnesses contend that if we would reduce mortgages by scaling them down, that would be an element of relief. Others contend that if we eliminate taxes materially, that will be an element of relief. From the testimony given here that farmers are not getting the cost of production, it occurs to me that if they had no taxes to pay and had no interest to pay that they couldn't live very long on the farm because they couldn't continue to produce at a loss, because they would have to have some money to buy clothing and buy medicine and buy the things that they must eat that they can't raise. So it would be only a question of time, even if there were no taxes and no mortgages, before the farmers would have to leave the farm or suffer, because they couldn't produce enough to live?

Mr. BLALOCK. You are correct, Senator. I might add there that I had a canvass made not long since—I did it for a purpose—I asked this question of a large number of farmers: What would you do with a hundred dollars if you had it? We were working on the domestic-allotment plan. Invariably those people came back and said, "We would spend it for clothes and shoes for our families", and in many instances they said they would spend more than that if they had it.

The CHAIRMAN. Mr. Blalock, I had you go back to 1925 and 1926. The consumption of American cotton from 1924 to 1925, 1925 to 1926—the cotton year runs from August 1 to August 1——

Mr. BLALOCK. Yes, sir.

The CHAIRMAN (continuing). The consumption of American cotton exceeded production up to 1929. If you will look at the figures, you will find that.

Mr. BLALOCK. Yes; I think you are correct on that.

The CHAIRMAN. The price was fairly remunerative. From 1929 on through these 3 years, in spite of the fact that the crop has not as an average exceeded the previous production per year, the consumption dropped off until where the surplus piled up at the rate of a million and a half to two and then to three million, until as a result of under-consumption we are now faced with a world supply of American cotton of around 12,000,000 bales.

Mr. BLALOCK. As much cotton as we could consume if we didn't consume a bale this year.

The CHAIRMAN. More than 5,000,000 of which are in this country. Therefore, if we produce a normal crop this year and there is no relief given to those who consume our product, if there is no rise in price, no more general distribution of money, why, we are just hopeless and it looks to me as though if there isn't something done toward curtailment of production and an increase in the price of that which is produced, we face the possibility of having a stagnation of salable cotton.

It has been my idea that we have got to address ourselves to the reduction of this surplus and for that reason, I introduced the bill that I did for the Government to take what cotton it had and sell it to the farmer in lieu of his this year's production, sell it on credit at the present prices. I believe it would have been a wise thing and a very profitable thing if two years ago when wheat went so disastrously low and cotton was so low if the Government had appropriated money enough to have bought that surplus and offered it to the farmers in lieu of their yearly crop. We would have given him an equity in this Government supply and also would have relieved that surplus and congestion and started him on the way.

Mr. Blalock. Senator, I agree with you absolutely. I think if your bill could have become a law, it would have helped us very materially, cut down the carry-over and also had the very effect you suggested of helping us to curtail that acreage, the increase of acreage we are now facing.

Senator Pope. How much cotton has the Government now?

Mr. Blalock. I would say in round figures, seed loan, and all, possibly two and a half million bales.

The Chairman. Now, it must be remembered that the trade must have from two to three million bales carry-over of old cotton.

Mr. Blalock. Oh, yes.

The Chairman. Therefore, if we could get rid of two and a half or three million bales of surplus and have a reduction in production, it would almost relieve the situation so far as the law of supply and demand in cotton is concerned. But back of all that there has got to be some relief in this financial situation. We can't talk about surpluses being the cause for the reason that articles that we have of which there is no surplus are cheap or cheaper than those of which there is a surplus. We have got to address ourselves as a body of farmers and American citizens to seeing that the amount of money in circulation shall be increased to where there will be bargaining power all along the line or all this legislation is merely treating symptoms temporarily with doubtful relief.

Mr. Blalock. We had no abnormal carry-over since 1921 in cotton until we began to step up after 1929.

Senator Pope. That was due to lack of consumption?

Mr. Blalock. Yes; and heavy overproduction, too. We produced the second largest crop ever produced in the South in 1930.

Senator Shipstead. The lower the price, the greater the production? As the price goes down, it is necessary for the farmer to produce more and therefore he increases his production? Do you think that is true?

Mr. Blalock. I think it is absolutely true. The seed-loan people are now trying to hold down the production of cotton to 30 percent less than last year where they make a loan. One of them told me "Cotton is the only thing the farmer can get anything out of, and if we adhere to that rule, he can't repay his loan." As long as I have known about cotton farmers, they figure they have to make more bales to get the same amount of money. The payment on the mortgages is the same, the payment on taxes is the same, they have to get more money somehow. That is the way they figure it.

Senator **Frazier**. There seems to be a wide difference of opinion among those who have testified as to whether this bill goes far enough to give the farmers the cost of production. We all admit they must have cost of production if they are going to put their business on a paying basis. What is your opinion on that?

Mr. **Blalock**. Senator, I have no criticism, you might say, to offer against any other proposal that has been submitted here. My thought, however, is that these farmers agreed upon this proposition. We were in hopes we could agree on something and get some action. I mean no reflection on any Senator or anybody else but somebody asked me yesterday what would be the success of this bill and I told him it depended on how long Nero fiddled, if we didn't get some action on some bill it would be too late to do anybody any good.

Senator **Pope**. How do you feel about fixing the price of cotton for domestic consumption?

Mr. **Blalock**. As cotton producers we are just as vitally interested in not seeing a tax too high to cut down consumption. We rather disagree with our cotton-manufacturing friends that they will not be able to pass on an excise or processing tax. The tobacco manufacturers pass it on to the consumer. We heard the head of the Millers' Association say every dollar would be passed on to the consumer, and I am satisfied they can do likewise, but we don't want to see a tax imposed on the manufacturers that would be high enough to curtail consumption. I think under this bill the Secretary of Agriculture is given the authority and the power there to discuss the situation with the cotton manufacturers, discuss the situation with the cotton producers and reach a fair basis for the tax. We don't want to cut down consumption any more than the cotton manufacturers do.

Senator **Pope**. I had in mind particularly Mr. Clair's plan, pegging the price of domestic cotton at 18 cents.

Mr. **Blalock**. Mr. Clair has a very fine plan, I think. We were discussing it with him last night. I think there is one thing lacking that always has to be taken into consideration: If you give us too high a price for cotton, we are going to continue to heavily overproduce. There is a possibility, unless there was some way to control acreage, if you had unlimited acreage production and you were to give us 18 cents a pound for our domestic consumption and the world price was 6 cents for cotton. There is one third used in this country and two thirds shipped abroad. That would give us 10 cents a pound. If you had unlimited wide-open authority to produce all the cotton you want, I was telling one of my Texan friends there was no power under heaven to keep them from planting everything in cotton. Consequently instead of cutting down your surplus cotton, you would add to it. I think any kind of measure like that must have some kind of limitation on acreage.

Senator **Frazier**. Would that apply to the cotton growers in your State?

Mr. **Blalock**. Yes, sir; they would produce more cotton by far than they are even at 10 cents a pound. We grow a great deal of tobacco. Tobacco is our largest cash crop.

Senator **Shipstead**. What was the price of your cotton from 1912 to 1914?

Mr. **Blalock**. About 12 cents a pound.

Senator **Shipstead**. If you could get 20 cents a pound now with the present high taxes, do you think you could work out?

Mr. **Blalock**. We would start all right, but of course as cotton became more profitable, other things entering into the production of cotton would go up. For instance, we are buying our fertilizer this year on a very cheap basis. If the price of cotton goes up, labor goes up, fertilizer goes up, everything that enters into the cost of production goes up, so eventually your margin of profit would be greatly reduced.

Senator **Shipstead**. You testified in behalf of the House bill?

Mr. **Blalock**. Yes.

Senator **Shipstead**. Are you familiar with Senator Smith's amendment to the House bill?

Mr. **Blalock**. Yes.

Senator **Shipstead**. Are you in favor of it?

Mr. **Blalock**. If we can't get the original House bill, I would like to see Senator Smith's bill enacted right away.

Senator **Shipstead**. Would you rather have the House bill as it was?

Mr. **Blalock**. I think so. I say that in this way, that was the bill that the farm organizations—practically all of them—agreed upon, in fact, all that were represented and all that were asked to be represented, they agreed upon that plan, and I believe in standing by your agreements.

Senator **Shipstead**. What I am interested in is whether you think the Smith amendment improves the bill. If it improves it, there is no reason why we shouldn't adopt it.

Mr. **Blalock**. As I see it, I would prefer the original bill; I believe it gives more latitude, and I have confidence in the President and the Secretary of Agriculture that they will use those provisions wisely. I think it is in their minds to call in the various groups that will be affected by any of the operations of the bill and have them in as advisers. I don't believe they will go wrong.

The **Chairman**. Before Mr. Blalock leaves the chair, as he is one of the witnesses that have appeared for the bill, when he spoke a moment ago about raising the price with decreased production, historically that is not the fact, but it must be taken into consideration that 70 percent of all the cotton used outside of America is American cotton, and if we ever get to the point where we fix the price of American rather than let Liverpool fix it, we will automatically fix the price of the world's cotton.

That is unquestioned, because 70 percent of all the cotton consumed in the world is American cotton, and more than 85 percent of it is what is known as desirable manufacturing quality of cotton. So that I think that if we ever can get to the point that America, that produces more than two thirds of all the world's cotton, can fix the price rather than Liverpool, we will fix the price of American cotton.

Now, to what extent the rise in that price would invite the use of other textiles as a substitute for cotton is a thing that has never yet been proven. You must remember that during the war cotton rose to 45 cents a pound and long staple to a dollar and a quarter a pound, and that continued for a year or two, and then it brought a high price with only one drop from 1918, it was an average of 20 cents a pound. If you take the production of foreign cottons, there was no appreciable increase except in Russia where the increase was something like approximately a million bales under her 5-year plan. So cotton bears a very peculiar and unique position in the agricultural economics of the world—that is, American cotton.

Senator POPE. Mr. Chairman, I wanted to ask one question: Mr. Blalock, you said a little while ago, the lower the price cotton is, the more they will produce. Then you said a little later, under the Clair plan if a price was fixed at 18 cents per pound for domestic consumption, that would cause them to raise more. I don't quite understand that.

Mr. BLALOCK. What I meant, Senator, was this: Just for easy calculating, suppose we produce a 15,000,000-bale crop and we consume a third of that as domestic consumption at 18 cents a pound and you export on the present-day price the other two thirds at 6 cents a pound, that would give you an average of 10 cents a pound for all the cotton that you produced. Therefore, with no limitation on us as to how much we shall produce, especially in the cotton area where they do not have to use fertilizer and they can afford to produce it at a profit at 10 cents a pound, they would go the limit.

Senator POPE. Would they raise more than at 5 or 6 cents a pound, the price that they now get?

Mr. BLALOCK. Probably so.

Senator POPE. Permanently or for 2 or 3 years?

Mr. BLALOCK. As long as it remained profitable. They raise cotton for two purposes—one, to liquidate their indebtedness, which they must do, and they will raise that regardless of how cheap it is. Then if it is profitable, they will try to increase the production for the profit that is in it.

I have no desire to take up too much of your time, Senator, but if you had your Clair plan and you had some way of controlling production of cotton at the gin, if the cotton farmers would ask for that, something out of the ordinary, it should be given some consideration, because the cotton crop of this country is our largest export crop and it is what keeps the balance of trade in our favor if you have it that way. With control at the gin, you could limit the amount of cotton that could be ginned and exported, and therefore not let them run wild with it as we have done in the past. Working as individuals, the cotton farmers are absolutely helpless. The cotton farmer is a helpless mass of humanity and he has got to have something to help him control himself.

The CHAIRMAN. We are much obliged to you, Mr. Blalock.

We will next hear from Mr. Chris Jensen. Mr. Jensen, will you give your full name, address, and occupation?

STATEMENT OF CHRISTIAN JENSEN, FARMER, PUTNEY, S.DAK.

Mr. JENSEN. Christian Jensen, Putney, S.Dak. I am a farmer by trade and have no other occupation.

Mr. Chairman and gentlemen of the committee, I can make my remarks very short by endorsing the two speakers preceding the last one in principle entirely, and I also sympathize with the last witness, because how can we help but sympathize? It is enough to make a farmer cry, you know; but I guess we are yielding a little too much to our feelings. But it is perhaps a phantom fear; because the worst can't happen. I am here against my better judgment, but the people insisted that I should come down, and when I continued to deny that I could tell you anything that you had not already heard at least a million times, they said you wanted to hear from a dirt farmer. Of course I can qualify. I have always been a dirt farmer, ever since I was born. I was born on a farm in Denmark and spent my first 23 years in Denmark and the balance of the time I have been farming out in South Dakota, engaged in the business of raising grain.

So I have made a good deal of a study of the marketing of grain. I think I may say that I am very familiar both with the raising of it and the marketing of it and the costs connected with marketing. The people I represent and myself, we feel alarmed about any plan that proposes to give one man or even a number of men the power to hamstring or impair the marketing system that we have fought so hard to build up. I early became an organizer of farmers' elevators that cured the unfair practices prevailing in the primary market. Because of lack of competition, it was easy for 2 or 3 old-line elevators to go in collusion and not pay a competitive price. The farmers' elevator cured this in the primary market.

We feared that the same bad practices prevailed in the terminal market, but with the advent of the farmers' elevator came the independent commission merchant, and since then I am satisfied that the producer's interest is protected by every imaginable safeguard and the cost is so low that we can't afford to run the risk of having our market impaired by this legislation which has price-fixing features in it that has been disapproved of so often.

Of course the freight situation seems to be very incongruous. For example, when I began farming, I paid about 9 cents per bushel in round figures from my place to Minneapolis, about 300 miles. Now I pay 14 cents for the same distance. It is remarkable that from Minneapolis to Liverpool, the last time I checked up on it, the total cost, including cost of elevators and freight, was at that time 21¼ cents. That varies a little because of the ocean freight rates, they change. It is strange that I should pay almost as much for 300 miles as for about 4,000 miles. That seems strange. However, I am here to implore you not to impair our market.

We have a satisfactory and safe market that guarantees us at all times the highest market price, which is the only price, because, gentlemen, as I know from the war times, the moment you try to establish the principle that a price can be arranged arbitrarily, the price becomes unsatisfactory at once, because neither the seller nor buyer knows whether he is getting a fair price, How could he know? He couldn't know. You know, gentlemen, when wheat was still a dollar and a half, we hollored practically as loud for farm relief as we do now. [Laughter.] If you look back at it, you can see that that is now ridiculous. If I could get half that, I would go home and buy a new car, which I can never do under present conditions. I have to run the old rattle-trap, and I don't know that I can keep on running it even. Whatever can be done about it? I really see nothing can be done about it. If the economic sense of the world refuses to believe that as long as you produce more than you can use, it is no use to holler you can't produce it, because it is being produced, and that is the only thing the economic law cares anything about. It doesn't care about our cries.

It is most distressing, gentlemen. I preach and holler every day to help comfort my fellow farmers in their distress. I try to tell them that what they fear most can never happen because it is naturally physically impossible.

If you will permit me, since I am here as a dirt farmer, to make a few remarks about the farm-mortgage situation, I will. I began in the nineties when we were hit by the same conditions, only that the mortgages weren't so tall. There were the same wholesale foreclosures. There were many anguished cries from the dispossessed losing their homes. It involved my own family, who lost everything, and they felt that they had heard the crack of doom and were ready to lie down and give up.

Now, what came of it? I claim no power of prophetic vision as to what will happen tomorrow, no man can tell what will happen in the next minute, but we can review what happened in the past and it is very sure, I believe, to happen now again. It was esteemed a vast calamity at that time but in a few years it proved to have been a remarkable blessing. My father-in-law, if you will permit me to become personal, because it is a typical case entirely, lost everything he had; he couldn't pay me my wages, and they were only $15 a month, but he couldn't pay it, so I managed to get some horses at some auction sales and I went to farming. He was about my age, and after he got over the shock, he got back on the farm and rented some land. You understand, gentlemen, when the mortgagees get title to these lands, they find them worthless entirely without the people on the lands. And all that happened. To make it very short, gentlemen, what happened was that Brown lost his farm and Jones lost his farm and Jones got Brown's farm and Brown got Jones' farm [laughter], and the total result was that my father-in-law became well off for the first time in all of his life. He lost his mortgage. [Laughter.]

Don't misunderstand me. It was no joke at that time, and it is no joke now. I often cry about it. I don't believe any of all this stuff is going to happen. It can't happen. As I say, they can't import a new population in South Dakota that will farm these lands under present conditions. The mortgagee can't get his taxes out of them except from the man who knows how.

I looked over the country as I came over to Washington and I thought, "What would I have to do if I should have to move over here." [Laughter.] I would rather live in South Dakota where I know how to farm. I promise you, gentlemen, you move a man out to South Dakota and have him farm beside of me and I will make a monkey out of him in one season and he will not try to do so.

On the mortgage situation, gentlemen, some of the tall mortgages will become scraps of paper. It is unavoidable. I am sorry for the mortgagee, but why in the Sam Hill the farmer is afraid of losing it beats me. That is beyond my comprehension. Why, he should be glad to lose it. I tell you, gentlemen, I am not joking or trying to be humorous, but I try to comfort my fellow farmers. They are all good people that are involved in a situation not of their own making except in part that we recklessly spent what we didn't have, which is the real trouble, the unpayable debts between nations and between individuals.

I can speak independently. I am not a mortgagee and never expect to be, because I know if you want to make an enemy, get a mortgage on his property and you will have a good foundation for it. So I don't want anything like that. I think I have said enough, gentlemen. [Laughter] But I do hope that we will not succumb to an orgy of price-fixing. I don't wish to speak disrespectfully, but that is economic quackery. I had to learn the language after I got here. It would make it very much worse, I know. The thing is to maintain our courage and manhood and pay our bills, especially the small bills. I am not talking about the mortgages, that is out of the question. I tell you that the mortgagee is more to blame than the debtor. He is supposed to exercise greater perspicacity in lending and he hasn't done so. He has been more foolish than the debtor.

Senator **Thomas** of Oklahoma. Are you advising your farm friends to let the mortgage be foreclosed?

Mr. **Jensen**. I am.

Senator **Thomas** of Oklahoma. You think that is the proper remedy?

Mr. **Jensen**. Yes, sir, it is. It cannot help, gentlemen—excuse me, Senator.

Senator **Thomas** of Oklahoma. What do you raise on your farm?

Mr. **Jensen**. I raise mostly wheat.

Senator **Thomas** of Oklahoma. What do you get for wheat on the farm?

Mr. **Jensen**. Right now?

Senator **Thomas** of Oklahoma. Yes.

Mr. **Jensen**. The last time I heard it was 35 cents.

Senator **Thomas** of Oklahoma. Is that cost of production?

Mr. **Jensen**. There are so many factors involved. If you have always a good crop, Senator, it seems now we have to put our financial house in order. I could live on it.

Senator **Thomas** of Oklahoma. Pay your taxes and educate your children and wear respectable clothes?

Mr. **Jensen**. You know automobiles take the major portion of our income, and that may have to suffer. I hope not, because it is a splendid thing to have, but we must live first.

Senator **Thomas** of Oklahoma. Your policy would be first to have all the farmers quit paying taxes and interest?

Mr. **Jensen**. Oh, no.

Senator **Thomas** of Oklahoma. Quit paying interest?

Mr. **Jensen**. No.

Senator **Thomas** of Oklahoma. And let the mortgage be foreclosed?

Mr. **Jensen**. That is when they can't do it and the mortgagee insists on being unreasonable and will not face the realities. If he then won't do that, why, then I can't see any other way but that the law takes its course. The law will protect the debtor, it is in his favor in every case.

Senator **Thomas** of Oklahoma. The farmer that has been foreclosed can go to some other farm and start at the bottom again?

Mr. **Jensen** arose.

Senator **Thomas** of Oklahoma. And some way get one or two mules——

Mr. **Jensen** (interposing). You can't farm that way.

Senator **Thomas** of Oklahoma. Or a couple of oxen and a plow and start in again? Is that your remedy for the farmer?

Mr. **Jensen**. No; not out our way; we can't farm that way. Most farmers have personal property.

Senator **Thomas** of Oklahoma. Isn't that mortgaged?

Mr. **Jensen**. In some instances. The mortgagee isn't anxious to get it, because he can't sell it for anything.

Senator **Thomas** of Oklahoma. As soon as it is of any value, they will come out and take it?

Mr. **Jensen**. No. If there is the slightest chance that this man has an earning power, he don't want it.

Senator **Thomas** of Oklahoma. Are you in the Holiday Association?

Mr. **Jensen**. No, sir.

Senator **Thomas** of Oklahoma. You don't believe in that?

Mr. **Jensen**. No.

Senator **Shipstead**. Is it your theory that all of these farmers who have their places mortgaged and can't pay the mortgage will do the best thing by letting them go to foreclosure?

Mr. **Jensen**. If they can't make terms with the mortgagee.

Senator **Shipstead**. Then they can't pay their taxes and the State takes the land for taxes?

Mr. **Jensen**. It has the first claim.

Senator **Shipstead**. Then the State and the mortgagee would have the land?

Mr. **Jensen**. Yes.

Senator **Shipstead**. The chances are they couldn't do anything with the land?

Mr. **Jensen**. They couldn't.

Senator **Shipstead**. The chances are the farmer might buy the land for very little or nothing?

Mr. **Jensen**. Yes.

Senator **Shipstead**. In that respect I think he would be better off.

Mr. **Jensen**. Yes; he would.

Senator **Shipstead**. Instead of trying to pay the interest and taxes?

Mr. **Jensen**. That is impossible.

Senator **Shipstead**. In the present conditions you think the farmer shouldn't worry and let the other fellow worry?

Mr. **Jensen**. Yes, sir; just that, if he is unreasonable. I have always paid my bills, every penny, gentlemen. Don't get the idea I think little of paying my bills. That is the last thing a man can afford, but there is a situation when a mortgage is created at the top of the price level that must be adjusted on a plane of reality.

Senator **Shipstead**. You said something about the people you represent. Who do you represent?

Mr. **Jensen**. I represent groups of independent cooperatives, but most of the farmers' elevators of South Dakota, of which I am president. This job, you understand, gentlemen, the salary connected with it is always in the red; it doesn't help my income.

The **Chairman**. It is impossible to hear what the witness is saying and I respectfully ask that the audience be quiet.

Mr. **Jensen**. The last I said is just my own opinion. I am not representing anyone except in regard to our marketing system and I do hope you will not impair the grain marketing system as I know it. Also, as far as I know, it is highly developed on a very economic basis in the terminals but I know less about that. I am prepared to answer any question about the marketing of grain. I think I know as much about it as the next man.

Senator **Frazier**. What is the price of oats?

Mr. **Jensen**. There is no price if you have to ship.

Senator **Frazier**. It couldn't get much worse, could it, even if this bill passed?

Mr. **Jensen**. No.

Senator **Frazier**. The price of wheat couldn't get very much worse? It has been down to 30 cents?

Mr. **Jensen**. Yes. Let me call to your attention, gentlemen, if you will permit me to do it, a curious situation about the wheat market. For example, I haven't seen the market quotations in the last few days but you will find the price at Minneapolis on contract grades is 2 to 3 cents higher than Liverpool. If you add the cost of freight and handling from Minneapolis to Liverpool, 21¼ cents, that would make the Minneapolis market 24 cents higher than the Liverpool market. You can see the terrible situation in regard to exports.

Senator **Frazier**. And yet some of the foreign countries, Italy and Germany and France, are paying a dollar bonus for their wheat.

Mr. **Jensen**. That is a bonus.

Senator **Frazier**. Don't you think their farmers are more prosperous than we are here?

Mr. **Jensen**. I do not propose to become involved in world politics, but I am an omnivorous reader, and the reason France does that is for war purposes. She wants to raise her own stuff.

Senator **Frazier**. We are spending more for war purposes than any nation on earth.

Mr. **Jensen**. Will you permit me to read a program adopted by our board of directors, a couple of sections?

> While we question the soundness of the principle of our Federal Government loaning tax funds to any business institution, we insist that if such loans are made that there be no discrimination or discrimination on account of the form of organization or membership affiliation.

It is claimed that there has been discrimination, a policy of wanting to bludgeon us into something that we don't want. We have found it hard to make a place for ourselves in the terminal field and the primary market and we don't want it disturbed.

> To demand that reciprocal trade and tariff arrangements be made with those countries from whom we derive our necessary imports—

The argument that went on, gentlemen, was that there could be no point in swapping coal with Newcastle or trading wheat with Canada. It seems to me that it would be the last degree of idiocy.

> to the end that tariff be used to and aid in disposition of our surplus agricultural products; providing that such plans make no increase in Federal employees; no increase in taxes or use of public funds derived from taxation and no governmental legislation controlling agricultural production. We favor tariff protection for all agricultural products; adjustment of the so-called "war debts" in return for export trade concessions on agricultural products and the elimination of any and all unnecessary trade restrictions tending to curtail or prevent the free and natural movement of agricultural products in all markets.
>
> To secure a prompt reduction in local, State, and national expenditures—

Gentlemen, you have heard this until you are blind and I won't read the rest. I thank you very much.

Senator **Bulow**. Is there anything you see that Congress can do to relieve the farmer?

Mr. **Jensen**. There is not, in my opinion.

Senator **Bulow**. You want to be left alone?

Mr. **Jensen**. I want to be left alone.

The **Chairman**. If you are through with your testimony, we will call another witness.

Mr. **Jensen**. Yes; thank you.

The **Chairman**. I have a request here from Senator McKellar and also from the gentleman himself for Mr. Corn to appear here for a few minutes.

Mr. Corn.

STATEMENT OF C. H. CORN, REPRESENTING SOUTHEASTERN MILLERS ASSOCIATION, PIEDMONT MILLERS ASSOCIATION, SOUTHERN ILLINOIS MILLERS ASSOCIATION, FRANKLIN, TENN.

Mr. **Corn**. My name is C. H. Corn. I am from Franklin, Tenn. I am here representing some of the wheat millers' associations, Southeastern Millers Association, Piedmont Millers Association, Southern Illinois Millers Association. Gentlemen, there are quite a number of these mills that belong to the Federal. We have no complaint to put in about the federation, in fact, we are for it. We are members of the Federal ourselves.

In order to get some of these points in the milling industry before you, I will say that there is nothing that will help the miller any more than the raise on wheat and cotton. Cotton is the greatest barometer of good times that the southern miller has ever had since I have been in the mill business, which embraces about 40 years. I was raised on the farm, stayed on the farm until I was 22 years old. I know all about the farmer's ills and his ups and downs. He is in a deplorable condition, gentlemen, but he is not by himself by any means.

I want to call your attention to the ills of the milling industry. The reason it hasn't come before you before this, the mills have got no politicians and it takes them to come up here and raise the house. In 1920 we had 7,000 flour mills in operation. In 1929 we had 4,000 mills in operation. In 1932 we had 2,400 mills in operation. You will see that almost two-thirds of the mills have died by suffocation or some other worse cause. So far as the mills are concerned, they have kept their grievances and their problems to themselves and worked that much harder. There has been quite a good deal said here about the enormous profit that the miller must get. Now, for your information, the freight rate as I have got the figures—I went to the Interstate Commerce Commission to get them—from Kansas City to Chicago in 1910 was 12 cents. In 1933 it was 23½ cents.

Senator **Norris**. Per hundred?

Mr. **Corn**. Yes.

Senator **Norris**. That is on flour?

Mr. **Corn**. That is wheat. Flour is carried at the same rate. From Chicago to Baltimore in 1910 it was 17 cents, and in 1933 it was 35 cents. From Kansas City to Baltimore in 1910 it was 25 cents; in 1933 it was 50½ cents. So you see clearly that of this enormous profit that the mills are supposed to be getting, 50 cents of each barrel of flour is going to the railroads. The problem is that I don't see how the railroads can do any better than they are doing now when the highways are full of trucks and busses. That is all I have got to say about the railroads.

For instance, in 1910—I have got to use a right smart of personality in this thing to give you the viewpoint that you want—we figured on a basis of 50 cents for conversion charges. In 1933 we have to figure on a dollar and then don't hardly come out. There isn't a man in my employ but is getting twice as much today as he got in 1910. There is nothing that goes into the manufacture of a barrel of flour but what has almost doubled in price, if not more than doubled in price.

Senator **Frazier**. What about the price of wheat?

Mr. **Corn**. We were getting a good price for our wheat until they took charge of nature and put in that Farm Board. Wheat went from about $1.40 down to 40 cents. It made a 300-year low record.

Senator **Frazier**. The wheat prices in Canada and other countries went down where they didn't have any Farm Board?

Mr. **Corn**. We had wheat pegged in Chicago at $1.23 when it was 72 cents in Liverpool.

Senator **Frazier**. Didn't that help?

Mr. **Corn**. It broke a lot of us instead of helping us.

Senator **Frazier**. Didn't it help the farmer?

Mr. **Corn**. It injured him. The wheat market went down from the time they put in this Farm Board up to a few months ago.

Senator **Frazier**. It went down all over the world?

Mr. **Corn**. I don't blame the Farm Board and I don't blame those that handled the situation. I guess they were about as good as you could have got. What I am talking about, the principle is wrong and this plan that you have got now is a recapitulation of the Farm Board and it won't work. A good deal has been said here about the law of supply and demand, about nature taking its course. I beg for your information that you will just look back, you will find out that nature hasn't had its course since the Farm Board was inaugurated. The market and the exchanges all over the country have been hog-chained and tied, they haven't been liberated to do like they had always been able to do, and we consider that one of the greatest things, along with the Farm Board, that we have been afflicted with.

Now we lose money. We made a little money up to 1930. Since then we haven't made any money. In 1932 we have lost money, and whenever I say "we" I think I represent the majority of millers in my class. Some millers have made money.

What I would like to get before you gentlemen is this, that if there had been such a profit in flour, how did it happen that all these two thirds of the mills died in the last 12 or 13 years?

Senator **Frazier**. Didn't the big mills have something to do with putting the little mills out of business?

Mr. **Corn**. They may have. I couldn't answer that question. That might have had something to do with it. There were more factors in it than that one. Talk about the production of flour, the mill machinery is a big item. You have to renew your mill with new machinery every 10 or 12 years. It has more than doubled in price since 1910 and you take flour bags, they haven't gone down in proportion with everything else. I am telling you that the mills have had a hard time in the last three or four years in making buckle and tongue meet and if you are going to force this already, in my opinion, tried out plan over again, I don't believe it would be any more than fair to pay the miller for the losses you made him sustain in this other try-out.

As I see it, it is the same thing we have tried before. We are going to cooperate with whatever plan you gentlemen have to the best of our ability, but I think it is awfully unfair for the Government to ask its subjects to go through with what we went through in the time of the war with these reports that we will be compelled to make; daily reports, weekly reports, and recapitulation in a monthly report. It takes no end of time and money and worry and trouble to put this over. You will surely make a little remedy on those lines and pay the miller as he is almost down and out for each report you compel him to make and maybe you won't want him to make so many. [Laughter.]

Now you will say, Don't you think the farmer is in a bad fix? I do, and I believe that your chairman has offered the most feasible help without hurting anybody, to the farmer or anybody else, in the Smith bill.

Senator FRAZIER. That just applies to cotton.

Mr. CORN. Yes; but cotton is all we need. We haven't got any year's supply of wheat or half a year's supply of wheat, and if you put this thing over and the Lord does not come to your relief, we will make a new record as certain as you are sitting there—in low.

The CHAIRMAN. Mr. Corn, we are much obliged to you for your testimony, and if no one wants to ask any further questions, I will call the next witness.

Senator NORRIS. Your answer to Senator Frazier was that you were interested only in cotton?

Mr. CORN. No, sir, I didn't mean it that way. I have no direct interest in cotton.

Senator NORRIS. Senator Smith's bill applies only to cotton?

Mr. CORN. I think they need help.

Senator NORRIS. I do, too. It is not claimed that that bill would give any relief to the wheat farmer?

Mr. CORN. Oh, yes, certainly it will. Why, it will bring up his prices right straight along. Cotton has never gone up in the world that wheat and flour didn't go up.

Senator NORRIS. That is when cotton went up, according to the law of supply and demand, but Senator Smith's bill proposes to buy the cotton and sell it to the farmer. I am not complaining about it, I voted for it myself, but I don't see where that is going to help the wheat farmer.

Mr. CORN. Whenever he comes along and leases a part of that land, it looks to me that ought to help every farmer.

Senator NORRIS. Yes; that will help the cotton farmer.

Mr. CORN. Since you asked me about that, if this bill goes over like it has gone over in the House, they almost quit raising wheat in my county, there will be 25 farms put in wheat to where there is one got it in now. You never did see such a surplus of wheat as this will pile up. You know that this bill that you have got passed through the House will raise a 24-pound sack of flour 35 cents and there isn't any other way to keep out of it.

Senator NORRIS. I am not trying to criticize you for objecting to the bill. I want to hear those criticisms, but I want to direct your attention to the fact that the Smith bill, as I see it, I supposed that was conceded by everybody, won't help the wheat farmer.

Mr. **Corn**. It will in the way I told you. If you relieve the cotton man——

Senator **Norris** (interposing). I suppose in theory he would buy a little more, but the wheat farmer would get no particular benefit. Isn't he suffering as bad as the cotton farmer?

Mr. **Corn**. I couldn't say about that. In my present locality, they are not. The best class of my farmers don't want anything. They just want to be let alone.

Senator **Frazier**. They are satisfied now and getting along very well?

Mr. **Corn**. Fairly well, they are making no money but nobody else is making any money.

Senator **Norris**. Then you don't need the Smith bill on cotton?

Mr. **Corn**. I believe the farmer ought to have something, and I further believe you ought to refinance him in his mortages at a very low rate of interest, as low as you ever let any bank have it.

Senator **Bankhead**. Mr. Corn, you talk about the Smith bill being sufficient for the cotton farmer. I supported the Smith bill but I want to find out from you if you really know anything about it, what effect the Smith bill will have on the price of cotton?

Mr. **Corn**. I don't know nothing about it except just what they told me. I have been told that by a couple of smart fellows.

Senator **Bankhead**. That is what I thought. If you have got a carry-over of 13,000,000 bales and you figure on raising another big crop, you think a reduction of 2,000,000 bales that may be brought about by the Smith bill would do much good?

Mr. **Corn**. It would help some.

Senator **Bankhead**. But it is just a cotton catch beside a big cotton field?

Mr. **Corn**. Yes, in a way it is.

Senator **Bankhead**. Getting rid of 2,000,000 bales when you are already starting in with a 13,000,000 bale carry-over, a 2-year supply for the consumption now in America? You think we ought to start in by getting rid of the 2,000,000 bales? I think we ought to do that, but do you think we ought to stop there?

Mr. **Corn**. I couldn't say. In answer to the Senator's question about the wheat farmer, if you will free that market and cut out allotment plan, I guarantee—well, I couldn't guarantee because that guarantee wouldn't be any account.

Senator **Norris**. You could hardly pay all the wheat farmers.

Mr. **Corn**. No, but I believe it would go up 30 cents in 30 days.

Senator **Norris**. That would be a terribly big boost if we could get it. What would we have to do to put the market up 30 cents a bushel?

Mr. **Corn**. Free these exchanges. They are in a position to put it up.

Senator **Bankhead**. Would that put the world price up?

Mr. **Corn**. It would put the United States price up.

Senator **Bankhead**. Thirty cents above the world price?

Mr. **Corn**. I have seen it here when it was 30 cents above the world price many a time.

Senator **Norris**. It isn't working that way now.

Mr. CORN. No, because we are not letting nature have her course.

Senator NORRIS. If nature took her course, the price of wheat in the United States would be 30 cents a bushel higher than the price of wheat in Liverpool?

Mr. CORN. I have seen it that way, Senator.

Senator FRAZIER. Was it on account of nature or the grain gamblers?

Mr. CORN. It was on account of nature.

Senator NORRIS. That was on account of some fellow speculating. That wasn't nature taking her course.

Mr. CORN. Everybody was getting along mighty well. I tell you we didn't have any trouble until after you passed that farm bill.

Senator NORRIS. If we abolish the exchanges, if we will just let nature take its course, you say, the price of wheat in the United States would be 30 cents a bushel higher than in Liverpool?

Mr. CORN. I believe it would.

Senator BANKHEAD. Why didn't that happen before this bill was introduced?

Mr. CORN. It was caused by having the Farm Board.

Senator BANKHEAD. The Farm Board hasn't done anything lately?

Mr. CORN. They haven't done very much lately.

Senator BANKHEAD. You have had a good long time since they have done anything?

Mr. CORN. We haven't had such a very long time. They are still selling wheat.

Senator BANKHEAD. A very small quantity?

Mr. CORN. I do know I bought 15,000 bushels from them last week.

Senator BANKHEAD. You know they haven't so very much?

Mr. CORN. I know they had enough to give away to the Red Cross to almost floor us.

Senator NORRIS. With the exception of some instances that have happened here and there on account of some speculator bulling the market, have you ever known a time when the price of wheat in the United States was 30 cents a bushel higher than in Liverpool?

Mr. CORN. Yes, sir.

Senator NORRIS. When?

Mr. CORN. Why, it has often been that way. I couldn't pick out the years, but you can go to those statistics and find that out.

Senator NORRIS. I have never found that. I would like to have you recite it to me. Did that ever work with cotton?

Mr. CORN. I couldn't tell you about cotton.

Senator NORRIS. How much a bale above the Liverpool market was cotton worth while nature was taking its course?

Mr. CORN. I couldn't answer that question.

Mr. Chairman, I have a brief here I would like to file.

The CHAIRMAN. Without objection, it will be filed.

(The brief referred to is as follows:)

A BRIEF SUBMITTED TO SENATE COMMITTEE ON AGRICULTURE BY C. H. CORN, LILLIE MILLS, FRANKLIN, TENN., IN BEHALF OF THE SOFT WHEAT MILLERS ASSOCIATION, SOUTHEASTERN MILLERS ASSOCIATION, PIEDMONT MILLERS ASSOCIATION, AND SOUTHERN ILLINOIS MILLERS ASSOCIATION

The above-named organizations have a total membership of over 200 mills, whose business is largely or wholly family flour in the Southern States. They produce about 6 percent of the flour made in the United States and half the family flour sold in the Southern States east of the Mississippi River. A large proportion of their business is in the Cotton Belt.

There is nothing that would help this group more than maintained higher prices for wheat and cotton and we pledge now, as always, sincere cooperation in any efforts to achieve this objective. We will cooperate in carrying out the proposed farm relief bill, but we are convinced that the same principle is involved in attempting to boost prices artificially that were involved in the stabilization operations of the Farm Board. The same elasticity is granted to the Secretary of Agriculture under this measure that was granted to Farm Board officials. If this measure is passed prices will be maintained temporarily just as they were in farm stabilization operations and they will eventually be broken just as they were in the attempts to peg the wheat price.

You are painfully aware of the fact that farm prices broke more than other commodities and in our judgment the sole reason for this is that there was a painful adjustment under the law of supply and demand. Anyone who investigates the full facts can see that the taxes assessed under this measure must be passed on to the consumer. This will mean an increase in the price of a 24-pound sack of flour, the standard package in the South, of about 35 cents, or nearly double the present prices in certain markets having low freight rates. The average profits of the better class of mills is only about 2 cents per bag and it is my belief that taking all the mills, the losses of some mills was greater than the profits of those making money. I know my own mill made money from 1909 to 1914, but have made no money since 1930, when the Farm Board operations caused such great depressions in wheat and cotton prices, and in 1932 we sustained a loss. I have no profit and loss statements from the mills that I represent, but from conversations with many of the mills which were formerly the best money-makers I find that our own record is representative. The same thing is true of grocers—wholesale and retail—as well as bakers.

It has been stated that the farmer is receiving far less for his wheat than in 1909 to 1914, while flour is about the same. Therefore, it has been reasoned that the miller and middlemen are making exorbitant profits and the increase in prices of agricultural commodities could be absorbed by them without passing the tax on to the consumer. The true facts could be ascertained by the committee, by examination of corporation income tax returns, which I believe would prive the above statements. The premise of the critics is correct, but the conclusions are wrong for many reasons, for example:

The freight cost from Kansas City to Baltimore on a barrel of flour is 50 cents greater than in 1914. Wages are around twice as much and traveling expenses, due to increase in railroad rates and gasoline, living costs, etc., are much greater, mill machinery costs, power cost, taxes and in fact every item that goes to make up the cost of making and selling a barrel of flour have practically doubled. In 1910 to 1914 we figured an allowance in our mill of 50 cents a barrel and now we figure $1 and received as much profit or more in the pre-war period than now.

As further evidence of the unprofitableness of milling, there were—according to the Bureau of Census—around 4,000 mills in operation in 1929, while there were only 2,400 at the end of 1932. Taking the milling industry as a whole, it is in as bad, if not worse, condition than the farmer. I could buy you 50 mills today at 20 percent or less of the appraised value fully depreciated, but I would like to know of some farms that I could buy on the same basis, for then I would quit milling and go into the real estate business.

In view of these facts, can anyone doubt that the milling industry is in a sad condition and that it would not welcome sound legislation to help the farmer? Higher priced wheat makes it easier for us to make money. Generally speaking, the higher the price of wheat the bigger have been our profits. Our markets are dependent almost entirely on the purchasing power of the cotton farmer, directly or indirectly. If we thought he could be permanently benefited, we would submit to any sort of regulation voluntarily, purely from a selfish standpoint. We oppose this bill simply because we are convinced that it will defeat its own aim.

We do not now need an experiment, when we have already seen what the same attempts in principle have resulted in, both in this country and abroad. We believe that this measure will hurt the farmer, hurt the miller and hurt the country, even if only tried out for a relatively brief time. If the measure is passed, of course we shall do our very best to cooperate with the officials, but we sincerely trust that you will at least first give a trial to the acreage rental and special cotton-aid plan proposed by your committee chairman.

The **Chairman**. We will now have a representative of the rice people, Mr. W. M. Reid.

Mr. Reid, please give your name, address, and occupation to the stenographer.

STATEMENT OF W. M. REID, SECRETARY OF THE RICE MILLERS ASSOCIATION, NEW ORLEANS, LA.

Mr. Reid. Mr. Chairman and members of the committee, I have listened rather interestedly to the various remarks and some criticisms that have been passed on the bill. In the rice industry we do feel that we need some relief. We would like to see a bill passed that would give that relief to the entire industry. While I represent the millers, we realize that our life is dependent upon the producer, that our mills have no value unless the producer is enabled to get a living price so that he can produce a crop. In viewing our situation I think we should understand what the ills are. They are not wholly economic ills of this or the last few years but when we compare present conditions to the stated pre-war period from 1909 to 1914, speaking only of the rice industry because my remarks will be directed to that and not to anything else affected by the bill, there was an average of about 700,000 acres planted to rice in the United States during that pre-war period. The average farm yield during the same period was 33 bushels to the acre. The average production was about 23,000,000 bushels.

During the World War when all crops were augmented, the rice crop was materially increased and we jumped from a price of 38 cents a bushel up to a price of $2.66 a bushel, which led farmers to plant all the rice that they could possibly secure lands for. That condition in itself has helped to accelerate the conditions brought about by the economic crisis. During the last 5-year period, we have had an increase of nearly 50 percent in acreage over the pre-war period. Notwithstanding the increase in acreage, we have also had an increased yield per acre, brought about by better methods and better varieties. Whereas the average farm yield was 33 bushels in the pre-war period, in the last 5 years the average yield per acre has been 45 bushels.

The cost of the production of rice during the present season I would estimate at 55 cents per bushel. The average farm value of rice as of December 1 when all comparative statistics are made was about 40 cents a bushel. In other words, as of that date, we were about 15 cents a bushel under the cost of production. You ask me, then, how we are going to cure that condition, and I say to you that there are remedies provided in the present bill. The acreage should be reduced. While I have heard others in other lines here testify to the inadvisability of reducing acreage, it is readily apparent that an acreage reduction is necessary in our industry.

The industry is small, the section is rather compact; we believe that it could be effectively handled. We feel that the bill grants to the Secretary of Agriculture authority to reduce acreage. We would not like to see that feature stricken out of the bill, certainly not insofar as it affects rice.

I think, gentlemen, that I have told you the story briefly. I have tried to give you a clear picture in just as few words as possible, and I will be glad to answer any questions you might care to ask.

Senator Thomas of Oklahoma. What should rice be selling for now to enable the rice producers to pay cost of production and enjoy some semblance of prosperity?

Mr. **Reid**. I should say 75 cents a bushel.

Senator **Thomas** of Oklahoma. Will this bill in your opinion enable them to get 75 cents a bushel if it is enacted into law?

Mr. **Reid**. If enacted into law and properly administered, I would say "yes."

Senator **Thomas** of Oklahoma. Are the rice growers in favor of the legislation so far as you know?

Mr. **Reid**. There is a large rice grower present and I would prefer, Senator, to divide my time and let him speak for the growing industry. I am speaking for the milling industry. I think that they would at a price of 75 to 80 cents a bushel find that satisfactory.

Senator **Norris**. One of the things that worries me in considering this bill is why it is that men in the same business differ so radically in their ideas as to whether this bill is good or bad. Is there any reason that you know of why the benefits that the rice miller will get from this bill would not also apply to the wheat miller? Why should the wheat millers oppose it and the rice millers favor it? The same provision of the bill that applies to wheat applies to rice.

Mr. **Reid**. I should say there would perhaps be rice millers that will oppose it, but I think as a general proposition, the rice millers are agreed that relief is necessary and they appreciate the fact that relief of the rice farmer will also be relief to the rice industry.

Senator **Norris**. Isn't that true of wheat also?

Mr. **Reid**. Well, sir, not being in the wheat business——

Senator **Norris** (interposing). I am in neither business, but I can't see why it doesn't apply to both of you alike. Maybe it doesn't. There may be some reason for that. If there is, I would like to find it out.

Mr. **Reid**. I think we are all of one mind in this respect, I don't know what is in the mind of the wheat miller or in the mind of others with respect to the bill. It isn't perfect, you know that as well as I do.

Senator **Norris**. We all realize that.

Mr. **Reid**. We all resent centralized government to such an extent. We have heard statements here that it gives to one man dictatorial power. That is probably true, but if it requires drastic measures to bring about the desired relief, I think we should be prepared for a major operation and subject ourselves to it.

Senator **Norris**. I agree with you fully, but the thing I don't understand is why the major operation doesn't apply with equal force and equal equity to the two classes of millers, rice and wheat.

Mr. **Reid**. Well, I want to state this with respect to the bill from the rice viewpoint rather than from the wheat. There are things that we are fearful of in the bill, too. One of them is the question of competing products. Rice is going to compete with potatoes and beans, and I don't know of any processing tax that can be applied on those products. Of course, if the price of rice was unduly raised and the consumption was decreased and consumers would turn to potatoes and beans and things of that kind that might not be brought under the bill, then I would say the rice people would be just as opposed to it as the wheat people or others.

We realize that the thing must be very carefully handled. As I said in the beginning, we don't like the bill 100 percent by any means, but we do want to see some legislation enacted that will bring about a relief of the present situation. We know that it is impossible to continue to produce rice at 40 cents that costs 55 cents to produce.

Senator NORRIS. That is the way with the wheat fellow, just exactly. I want to ask you a question about the competing proposition. There has been a great deal said about it and it is in the bill, the power to levy a process tax on rice may result in your meeting competition from potatoes, you say. So far as I have heard, this competition of one agricultural product is always with another agricultural product. Now, if you view this bill from the broad standpoint of helping the farmer, and you found that rice went up in price and people used more potatoes than before, that would help the potato farmer. After all, one hand would wash the other as far as the farmer is concerned. It might make a little difference with the manufacturer.

Mr. REID. Well, no, I wouldn't say that, Senator, because I don't think the rice farmer could turn to potatoes.

Senator NORRIS. Well, you said a while ago if you raised the price of rice too high, the consuming public might use more substitutes and not quite so much rice.

Mr. REID. Yes, sir; that is the consumer. You said with respect to the producer.

Senator NORRIS. After all, if it does that with the consumer, who consumes potatoes, and he consumes more potatoes than he did before, that means the producer of potatoes gets a better market?

Mr. REID. Yes, sir; but you wouldn't put the rice producer out of business to benefit the potato producer.

Senator NORRIS. No. Perhaps it might cause people to buy potatoes instead of rice to some degree. I am asking now on the broad view of helping the farmer why that should be so material, because you are helping a farmer if you help the man who raises potatoes, that would do some good in his case, that ought to be some consolation, anyway?

Mr. REID. That wouldn't be any consolation to the rice farmer.

Senator NORRIS. Of course not, and certainly if it injured him to such an extent as to put him out of business, that would be a serious thing and not be right.

Mr. REID. Yes; and particularly when his lands were not suitable for other cultivation.

Senator NORRIS. You believe in acreage reduction?

Mr. REID. Yes, sir; that is what I say I favor in the bill.

Senator NORRIS. When you reduce the rice man's acreage you have pretty nearly put him out of business, because he can't use that acreage in the production of anything else very well, can he, any acreage suitable for rice?

Mr. REID. It is not suitable for marketable crops. He might produce more feed crops at home, where he would be more self-sustaining; but I feel that he would get more on the 75 per cent acreage in actual dollars and cents than he is getting now on a hundred per cent.

Senator NORRIS. Undoubtedly. He would be in a little better fix. He might not be able to sell quite as much rice, because the potato man would sell more potatoes. If he gets the benefit of less production of rice and sells at a higher price and if he should lose a few consumers that really wouldn't be a loss to the farmer in the aggregate, because some other farmer supplies that deficiency?

Mr. **Reid**. Well, that would be sectionalism. I doubt, Senator, that we would favor that at all, to say that the rice-producing States in the South would be willing to be altruistic to the extent of abandoning the production of rice in favor of the Idaho potato grower.

Senator **Norris**. I haven't intimated anything of that kind. If you increase the price of rice to any degree, wouldn't that of itself have a tendency to cause people who are trying to be economical perhaps to buy more potatoes than they did before and less rice?

Mr. **Reid**. Yes; but, as I say, that is one of the things that we are all actuated by—we are all actuated more or less, of course, by self-preservation.

Senator **Norris**. I am assuming that your rice man is better off than he was before. He gets a bigger price but produces less rice. What I am trying to point out is that what you cite as a danger wouldn't after all be a danger. The rice man would be helped, get a better price, and the potato man would get a better price for his potatoes.

Mr. **Reid**. There is a line of demarcation there that would make that true. If the price was not unduly appreciated, the rice farmer would benefit. If it was unduly appreciated until potatoes or something else was substituted, he would be hurt.

Mr. **Reid**. I agree you might carry it to an extreme and put the rice man out of business.

Senator **Bankhead**. Suppose you increased the price of rice until it brought potatoes in demand—that would bring them in demand? Then that demand would raise their price?

Mr. **Reid**. Yes, sir.

Senator **Bankhead**. Wouldn't that tend to equalize itself and have them go back to rice again?

Mr. **Reid**. No; there would be eternal war between the two commodities and neither one bring anything.

Senator **Bankhead**. You mean it would bring the price of both down because there was a bigger demand for the potatoes? There is no logic in that.

Mr. **Reid**. If the price of potatoes was unduly inflated because of the falling off in consumption of rice, don't you think there would be an over production of potatoes which would further decrease the price of rice?

Senator **Bankhead**. You don't want to continue to produce rice at a loss even if it does result in using more potatoes?

Mr. **Reid**. No, sir; I don't think we will be able to continue any of these products very long at a loss.

Senator **Bankhead**. You had rather have an increase of price and take the consequences?

Mr. **Reid**. Yes, sir; and we think that can be brought through a curtailment of acreage.

Senator **Pope**. When is your rice planted, in the spring?

Mr. **Reid**. Beginning in May and continuing along through June.

Senator **Pope**. You think there would be time to put this bill into effect if it was passed soon?

Mr. **Reid**. Yes, sir; I believe it would affect next year's crop.

Senator **Bankhead**. What States are producers of rice?

Mr. **Reid**. Louisiana, Texas, Arkansas, and California.

Senator **Bankhead**. Have they stopped producing rice in South Carolina?

Mr. **Reid**. Yes, sir; in commercial quantities.

Senator **Frazier**. The committee is just as much interested in one agricultural product as another. We can't legislate for one group of farmers as against all.

Mr. **Reid**. That is what I am asking.

Senator **Frazier**. If you are getting 40 cents a bushel for your rice, you are getting a much better price than the potato grower at the present time. We are getting only 9 cents a bushel.

Mr. **Reid**. There is quite a difference in the cost of production. We are getting more for rice than wheat, but it costs more to produce rice than potatoes or wheat.

Senator **Frazier**. It costs more to produce wheat in North Dakota than 55 cents that you say you can produce rice for.

Mr. **Reid**. I think under the present conditions they can produce rice for 55 cents. I think that would be an average cost for production this last year.

The **Chairman**. If there are no further questions to be asked the witness, we will go to the next. The time is getting short and the witnesses are, too, I am glad to say. The next is Colonel Ward, president of the Kansas Farmers Union.

Colonel Ward, give your full name, address, and occupation, please.

STATEMENT OF CAL WARD, PRESIDENT OF THE KANSAS FARMERS UNION, SALINA, KANS.

Mr. **Ward**. Mr. Chairman, it isn't "Colonel." It is "Cal." I am Cal Ward, president of the Kansas Farmers Union, Salina, Kans.

Mr. Chairman and gentlemen of the committee, I want to say that I am happy to be here to represent the membership of my organization and those who are affiliated with the various farmers union activities in Kansas, numbering approximately 50,000, that we have in our various activities. We have something over 800 cooperatives in the Farmers Union in Kansas, and I want also to state this fact that Kansas is the biggest wheat-producing State in the Nation and we are proud of that. In 1931 we produced something like 230 to 240 million bushels of wheat, and as president of my organization, my contacts have brought me in touch with the majority of the farmers of Kansas as well as to a considerable extent in some of the other States.

I want to say to this committee that by experience I know farm life because I was born on a farm, and I lived on a farm until the time I was drafted as president of my organization and I am now serving my fourth term as president of the Farmers Union of Kansas. I think I have a profound sympathy, I am sure I do, for the distressed condition of American agriculture at this time. I am no wiser than a lot and not as wise as many but I have come to the position in this thing that, as was stated yesterday, we are facing a very grave situation unless something is done to rehabilitate the main and leading industry of this Nation. I think that more men are coming to the conclusion all the time that we have got to begin to recognize fundamentals and look toward a solution of this national problem beginning at the grass roots. To my mind we have been hanging too much from the top and now if we are to save this Republic from a total collapse, may I say, we must reckon with the main key, which in my judgment will unlock the situation, which is agriculture.

Therefore, I want to be broad enough in my thinking to give heed and cooperate with any plan which will result in national legislation that will bring to the American farmer the cost of production. The Farmers Union has gone on record many times as favoring that type of national legislation. We feel that the farmer, if he is to survive, is entitled to cost of production, just as is the electric power company that furnishes that light, and if we are to maintain anywhere near the present standard of living, we must lift up American agriculture. Its buying power must be restored or else we will be compelled to go back to the days of wooden shoes, to the horse and mule and the single shovel and all that means.

I have been of the opinion that it is not impossible to lift up the price level of agricultural commodities to a point that we can continue to sustain somewhere near the present standard of living and be able in addition to that to pay the debts which were incurred back over the years when times were good.

I want to say that I am in favor in the main of this bill and I want to speak for just a moment or two relative to wheat. Other witnesses are giving testimony in behalf of the other commodities.

Senator NORRIS. When you say this bill, you mean the bill as it passed the House?

Mr. WARD. Yes, sir; that is what I mean, Senator. There are two things to be recognized and reckoned with if we are to maintain an artificial price and which we must provide in my judgment to take care of the overproduction. You cannot do that simply by asking the farmers to do it voluntarily. We tried that back in the early days of the Farm Board and one farmer planted less and the other planted more and the net result was that there was no reduction. So then we must have a lever or a legislative club, if you please, placed over us to bring our production in line or more nearly in line with domestic requirements until, if ever, we can reestablish world markets. I do not want to disturb the provisions of the present bill but I do want to suggest this as a suggested amendment, and that is that we establish a minimum price for these farm commodities based upon cost of production for the amount used for the domestic requirements and that we handle the surplus in the following manner:

Let us take wheat, for example: The surplus of wheat on an average of years is something like 200,000,000 bushels. We consume about 600,000,000 and we produce 800,000,000. The way the plan would work would be as follows: The farmer would bring in, we will say, a hundred bushels of wheat. He would get this cost of production for 75 bushels of it, if that was the proper ratio for domestic requirements, and he would not get anything for the 25 bushels. The point I want to make in that connection is this, that that 25 bushels could go to the credit of the Federal Treasury. You know some of the opposition to the present bill is that it will take a vast army of men and women to administer it and that it will cost a vast sum of money. Now if this 25 per cent can go to the Federal Treasury, the Federal Treasury will be reimbursed by the producer himself to the extent that at least a large percent of the administrative expenses and charges can be paid for from that and it is also a fundamental lever against overproduction.

There are two or three points I want to make. We do have overproduction. In the years from 1921 to 1928 the world carry-over was something like 350,000,000 bushels, excluding Russia and China, of course. At the present time I understand that our carry-over in the United States is about 350,000,000 bushels. This surplus that the Government gets in its charge might be handled in the following manner or some of the following ways: You know today there are world markets to which we could go if credit could be made available, but they are without gold today and we are not on a balanced medium of exchange and that is one of the reasons we can't go there.

The second reason and place we might go is this: I think that we can do nothing greater to reestablish international relationships and outlets for our surpluses than to practice the principle of the Golden Rule, so then we might, as I term it, make missionary sales to some of these countries like China and certain provinces in Africa or so on, or we might barter with them, exchange wheat for some of the things we need in this country.

And third, we might be able with this surplus to be in a position where we could enter into the international quota system, which we haven't been able to do in the past. Then the producing countries of the world, those which have an overproduction, could sum up this overproduction and they could take into consideration the countries that do not produce enough for themselves and they might work out an equitable quota as between nations.

I am simply offering that for what it is worth but to me the greatest possibility of it is that it does away with a large bureaucracy of hundreds and thousands of employees, necessitating a large sum of money, and that is one of the things that has drawn public disfavor. Naturally in our State legislatures as well as in the National Government, we are trying to work out a program of State and national economy with the merging together of boards and bureaus and departments, and I think it is fundamental that we recognize this fact in this time of emergency when we pass farm legislation of this kind.

I just want to say this in conclusion, that the mental attitude of the farmer is strained to the breaking point. Over in my State the farm leaders have so far attempted to turn thumbs down on the national holiday movement, but I want to say that I am receiving hundreds and multiplied hundreds of letters criticizing me for that attitude. Just as sure as we are here today, my friends, unless we can relieve this situation, we will be in a worse situation not in 2 or 3 years hence but in the very near future.

I want to say something else, just a word that slipped my memory, on this idea which I have suggested. I talked it over last night with our national president, John Simpson, of my organization. He concurred in that idea, that he was perfectly willing for the surplus to be handled in that way, if on the other hand we would give the farmer cost of production for the amount needed for domestic requirements.

Senator **Norris**. Wouldn't you give the farmer anything for this surplus?

Mr. **Ward**. Under this plan, I think I would not give him anything. I think it would be the lever that would bring the production in line with our requirements.

Senator **Norris**. How would you get it? Would you go to his farm and get it? If he wasn't going to get anything for it, he wouldn't bring it in town, would he?

Mr. **Ward**. Well, he would get cost of production for the pro rata part used for home consumption.

Senator **Norris**. Why not take this surplus, as Mr. Simspon suggests, and sell it on the world market as we do now? Why not subject it to the same rules, regulations, and laws that it is subject to right now without any legislation? What is the objection to that?

Mr. **Ward**. The surplus part?

Senator **Norris**. Yes; I am speaking of the surplus part.

Mr. **Ward**. Well, I am doubting if that would control your production as would the other method.

Senator **Norris**. I concede that if you take the surplus away from him and don't give him anything for it, you would certainly reduce production, but has it ever occurred to you—I don't want to mention this because it is mentioned in every bill we ever get up—that if you tried to take this surplus away from the farmer who produced it on his own land and upon which probably the bank had a mortgage that you would run up against the Constitution of the United States?

Mr. **Ward**. It has been suggested; yes. I have heard some attorneys say that it was not constitutional.

Senator **Norris**. I am speaking only of that part of it. I know they make the point on the whole scheme. I am referring only to this surplus that you propose to take away from the farmer and not give anything for it.

Mr. **Ward**. He can keep it if he wishes to on his farm.

Senator **Norris**. Then there wouldn't be any to give to China?

Mr. **Ward**. No; not in that event.

Senator **Norris**. He would keep it if he wasn't going to get anything for it, if he had good sense. Speaking of the machinery now, that would be much less machinery than the so-called Clair bill that segregates at the farm, but there wouldn't be any difficulty in having the elevator man who bought this segregate it and pay whatever the market price was, or whatever might be agreed on with the farmer who produced it, but require him to ship that for export, keep it out of the domestic market. You would have to have machinery, however, to license all these dealers, I don't see how you can escape that?

Mr. **Ward**. Yes; either plan would require tremendously less machinery than it would to reckon with each individual farmer.

Senator **Norris**. Oh, yes; it would be much less.

The **Chairman**. We will have a session this afternoon and wind up the hearings. The committee will now stand adjourned until 10 minutes after 2.

(Whereupon, at 1:10 p.m., the committee took a recess until 2:10 p.m. this day.)

AFTER RECESS

The committee reassembled at 2:15 p. m., pursuant to recess.

The **Chairman**. The committee will come to order. The first witness is Mr. Woods, who represents the packers. I will ask Senator Thomas to take the chair.

(Senator Thomas of Oklahoma took the chair.)

Senator **Thomas** of Oklahoma. Will you give your name, occupation, and place of residence, Mr. Woods?

STATEMENT OF WILLIAM WHITFIELD WOODS, PRESIDENT OF THE INSTITUTE OF AMERICAN MEAT PACKERS

Mr. **Woods**. My name is William Whitfield Woods. I am president of the Institute of American Meat Packers.

Senator **Thomas** of Oklahoma. Will you briefly describe that organization for the record, please?

Mr. **Woods**. It is a trade research and educational organization of the packing industry. It is in very considerable part a technical association dealing with the technology of the industry. For example, we have a livestock department which cooperates with the agricultural colleges and with the producers' organizations in research, looking toward the influencing of the type of livestock produced—questions of that sort. We undertook work with Yale and Purdue in that direction, through that department.

Senator **Thomas** of Oklahoma. With whom do you come in contact, in the main, in your work?

Mr. **Woods**. May I just complete that little statement about the institute, unless you would rather turn to something else?

Senator **Thomas** of Oklahoma. No; I was trying to bring that out a little more fully.

Mr. **Woods**. Our next department largely parallels the functioning divisions of the industry, our plants operating department. The director of that is a former packing-house superintendent, and we deal there with the operating literature of the industry, with the mechanical operations of the industry, and conduct experiments to try to cheapen costs, standardize equipment, develop improved types of equipment, and carry on mechanical experimentation such as experimentation on slaughtering methods, which we have been working on for some years now in an endeavor to improve those methods.

In addition we maintain extremely technical departments—I mean the laboratory kind of work as distinguished from the mechanical experiments. We have in charge of that department Dr. N. Lee Lewis, who was former chairman of the Department of Chemistry at Northwestern University, and there we deal with the curing processes of the industry and the formulas and the efforts to conserve the meat. We have a research laboratory out at the University of Chicago and an analytical laboratory down at 9 South Clinton Street. We also have a department of nutrition that attempts to keep abreast of the current nutritional studies regarding meats and their uses. In that department we have financed research in that field. So, too, we run through the other departments of the industry.

We come into contact very generally with packers and with those from whom we buy and with those to whom we sell.

We have about 200 members. I should guess that our membership produces from 80 to 90 percent of the commercial production. I except from that the farm slaughter and the slaughter done by the very small retailers or butchers, the general stuff that moves in the ordinary channels of trade as distinguished from stuff that sells in the very immediate vicinity and very small towns and on the farms.

Senator **Thomas** of Oklahoma. I suggest now that you proceed in your own way to discuss this bill.

Mr. **Woods**. Well, I have noticed that the other witnesses all say they would like to make a statement, and I do not want to break any precedents, so I have got one here that is about 10 minutes long that I would like to read, if I may. It clarifies our views. [Reads:]

The Institute of American Meat Packers is fully conscious of the disastrous conditions confronting the producers of livestock. It is in cordial sympathy with the desire of the President to improve the condition of the farmer and to raise the prices which the farmer can receive for his products.

The Institute feels a sense of obligation to cooperate with the President to the utmost in the national emergency. It also owes a duty to help conserve the interests of livestock producers, meat retailers, and the great consuming public, as well as of its own processing members.

The Institute is impressed with the statement of the President in his message recommending the passage of the bill, that the procedure proposed by the bill is along "a new and untrod path".

Encouraged by that reservation of the President, the Institute feels that it would be lacking in frankness and that it would also fail to discharge its obligation to place the experience of its members at the disposal of the Congress and the country, to whom the President has presented the matter, if it did not point out some of the problems which will be met in the administration of the proposed bill, insofar as it concerns meat products.

The first point we would like to call attention to is the increased burden upon the consumer, if this tax, as is argued, can be collected from the consumer—just making that assumption.

Under the terms of the bill, the Secretary of Agriculture is authorized to levy taxes on the processing, among other commodities, of hogs, cattle, and sheep, so as to bring about a gradual increase in their prices and thus recover the relative distance between existing prices and 1909 to 1914 prices. The tax is to be paid by the processors and collected, if this were possible, by the processors from the consumers.

The total retail meat bill of the Nation for 1932 is estimated at $2,200,000,000. The total retail food bill of the Nation is estimated at $9,500,000,000. Based on total meat production for resale in the year 1932 but eliminating slaughter for home consumption—and we eliminated that on the theory that perhaps some of it would not be taxed—the application of a tax as permitted in the bill that would be necessary to increase today's prices to their pre-war parity, would mean a levy which would be equal to 5 cents a pound on dressed meat and might amount to a total tax of $760,000,000.

In addition, the bill provides for a floor tax of approximately $30,000,000 on depot stocks, making a possible grand total tax on this basis of figuring of $790,000,000. Now, if you will take the figures in the House committee's report, which show a larger maximum tax than we figured here, the amount would be very much larger indeed. I think the principal discrepancy between our figures and the House committee's figures on what the tax would be in order to raise current prices in the local markets to parity prices grows out of the fact that they were figuring from February 15 and we brought our figures to date, and we probably also tried to be conservative on it.

It will be readily seen, therefore, that the possible tax on the three meat items alone—cattle, hogs, and sheep—amounting to $790,000,000, supposes an addition of 36 percent to the consumers' retail meat bill, and 8⅓ percent to the consumers' entire food bill. Admittedly these are maximum figures allowable under the bill, for under it the legislative decision as to the actual amount of the tax is left to the decision of the Secretary of Agriculture. In establishing this tax he will naturally want to consider the degree to which a specific tax will be collectible. He would also have due regard for the effect that uncertainty as to his possible action would have upon the industry.

The figuring of those factors is not any highly intricate process, and if the committee is interested further, when we get through with this statement it will be very easy to figure out together from the House committee's report and from the slaughter reports last year what the tax would be, approximately, if you applied those rates to that slaughter. The questions that are not pegged, of course, definitely, are what your slaughter would be, whether the bill would operate to reduce production some, and also what kind of tax would be imposed. These were maximum figures.

The second point, the impediment of competitive and untaxed foods. The primary difficulty will arise in the effort by the processor of livestock to collect the tax from the consumer. Meat is in competition with all other foods for its portion of the consumer's dollar. It competes with fish, vegetables, chickens, eggs, and other commodities, none of which are affected directly by the proposed bill. By "directly" I mean that they involve a hearing or something of that sort to get the tax to them; whereas, automatically under the present terms of the bill it is imposed on livestock. Arbitrarily to raise the prices of meats and not include all competing foods would certainly result in a decrease in the consumption of meats.

III. *The necessity of prompt marketing.*—Meat products are highly perishable. Once the livestock is slaughtered it must be handled under refrigeration without delay, and marketed whether there is a glut or a shortage at that particular time. Experience shows that an artificial increase in price of even a fraction of a cent can seriously obstruct the orderly marketing of meat products, resulting in the product accumulating, and then, if it is to be sold at all, being sold at a decline in price of more than a cent a pound.

IV. *The control of prices by the consumer.*—The prices received for a definite supply of meat products are determined by consumer purchasing power and the prices of other foods. In view of the fact that the meat processing industry, in the aggregate, has operated at a loss in the last 2 years, notwithstanding the fact that the volume of the business has remained relatively stable, it would appear obvious that had it been possible, meat processors would have obtained during those 2 years a higher price for their products, thus enabling themselves to operate their business at a profit. Even in the prosperous years preceding the present depression, it was not possible for the processors to obtain a profit of more than from one fourth to one sixth of a cent a pound on their products. The experience of the meat processors is so conclusively to the effect that the ultimate consumer definitely controls the price at which meat products can be sold that any effort to force the consumer to pay a price beyond that which she is willing to pay would appear to be fraught with the gravest difficulty.

V. *Is there a surplus livestock production?*—The bill would appear to contemplate a reduction in the output of livestock. The experience of the meat processors raises a serious question as to whether there is a present oversupply of meat products above the requirements of the people. The United States per capita consumption of meats and lard in the last 33 years, in round numbers, has run as follows:

Meat consumption per capita

Years	Range	Average	Years	Range	Average
	Pounds	*Pounds*		*Pounds*	*Pounds*
1900–1909	149–169	158	1920–1925	145–165	156
1909–1914	145–161	152	1926–1931	146–157	151
1915–1920	132–150	142			

Year 1932; less than 145 pounds. Estimated.

Meat consumption per capita in 1932 was lower than in any year during the last decade, was lower than in the period used as a base in the bill, and was lower than in any year this century except the war years. Last year the per capita consumption was a trifle less than 145 pounds. That is our estimate. The official figures last year have not been published, but the monthly figures make it possible to come very close to the mark. As consumption was lower, of course it follows that production per capita was lower also, even more emphatically because we have had more of our former exports to eat at home.

On February 1, 1933, total stocks of meat were less than 6 pounds per capita. The aggregate of all supplies on that date was less by 131,000,000 pounds than on February 1 last year and less by 213,000,000 pounds than the 5-year average of meat stocks on February 1.

Total meat in pounds

Feb. 1, 1933	665, 047, 000
Feb. 1, 1932	796, 632, 000
Feb. 1, 5-year average	878, 786, 000

It would appear to be clear, accordingly, that no meat surplus exists. But for unemployment and reduced purchasing power, it might easily become evident that there is an actual shortage against normal requirements.

Senator Wheeler. Will you tell me whether or not you have any suggestions to correct that situation?

Mr. Woods. Yes, before you came in, Senator Wheeler, they gave me permission to run through this statement, and if I may, I will be glad to respond to that question whenever you wish me to. [Continues reading:]

VI. Can the purchasing power of the public pay the increased price?—The question also arises as to whether an abnormal increase in the price of meat products will not impose an intolerable burden upon the public. It is estimated that some 12,000,000 men are out of work. Millions of others are on part time. The funds available to relief agencies at the present time are not considered any too adequate to meet the needs. Assuming it to be possible in actual processing to differentiate meat to be used for unemployment relief or charitable purposes—or exempted by the bill from the tax—it must be borne in mind that a large proportion of the unemployed and the part-time employed are living on their savings and could obtain no relief from the effect of the tax. A violent increase in prices may accordingly impose a burden which millions of the population cannot bear. Whether other consumers will bear it—or purchase competing foods—presents a formidable problem.

Accordingly, in administering the bill the Secretary of Agriculture will no doubt give serious consideration to the question as to whether, assuming a reduction in the production of livestock, the purchasing power of the country will make possible an increase in the retail price of meat by the required amount. Industrial activity is down to 45 percent of normal. The bill contemplates such a reduction of livestock production as will increase prices to a parity with nonagricultural prices. Industrial activity, which produces the articles purchased by the farmers, is down 55 percent.

In other words, the bill purports to accomplish by some reduction in livestock production that which has already exacted a 55 percent reduction in industrial activity without increasing prices. Experience gives no ground for assurance that the proposed reduction will achieve the expected result. Though it be true that the selling price of individual farm products is only one half, or less than one half, a normal price, the volume of farm production has remained relatively steady. Industries have suffered both reduced volume and reduced prices with no compensating benefits. The percentage reduction of nonagricultural income is probably about equal to the percentage reduction of agricultural income. Any attempt to equalize or redeem the relative injury to agriculture on the one hand, and to industry on the other, resulting from the present international economic depression, cannot overlook the lesson of these facts.

VII. Factual considerations.—The administration of the bill and ability to collect the tax will be further affected by certain other limitations with which the Secretary of Agriculture will of necessity be confronted. Some of these may be enumerated, as follows:

(*a*) *Freight rates.*—A large part of the food industry carries a heavy freight rate. Consider, for example, the livestock and meat business in which by far the largest production is in the Corn Belt. The largest consuming centers are on the eastern coast. The livestock producer must pay freight to the various slaughtering centers, and from there the processors must pay freight to consuming centers. Freight rates on livestock and packing-house products are currently 75 percent higher than before the war. A greatly disproportionate amount of the consumer's dollar goes for freight, which in the last analysis must constitute a net deduction from the farmer's prices. The significance of freight charges is illustrated in the case of corn. Corn has recently been selling in Chicago at 23 cents. Freight rates from western Iowa are 16 cents per bushel. Deducting 16 cents from 23 cents leaves the farmer 7 cents per bushel. I may say these are not the remedies we have in mind. We have something more affirmative than this, Senator Wheeler.

(*b*) *Other fixed charges.*—There are other costs which are relatively fixed and inflexible, such as the fixed investments of retailers, and rents. Rents paid by retailers, if the lease is a long-time one, are onerous now. Equipment which has been installed, or used for delivery, represents an investment made when prices were higher than they are now. In the early period of the decline, many of these costs continued unchanged, and it was only gradually that individual retailers reduced their costs, whether for rents, wages, salaries, or services, and by competition compelled other retails to retain less of the consumer's food dollar. Three of the large cost items in the marketing of farm products—taxes, freight, and rents—are not subject to alteration or controlled by the meat processor.

(*c*) The price the processor can pay for livestock depends upon his ability to market a portion of his product in foreign countries. But export trade is at present definitely limited by foreign market conditions, tariffs, quotas, etc. The prices export markets will pay are determined by local conditions.

(*d*) The bill can be interpreted to mean that prices of livestock are to be arbitrarily raised before there is an actual reduction in supply. I confess I am not clear on the meaning of that section of the language. But all hogs that will be marketed this year are already born or bred, and the corn is here to feed them. It takes 4 months to breed a hog and 8 months to raise it; therefore, the hog supply for the next 12 months is already fixed and nothing can be done now to change the number of head that will come to market this year.

(*e*) *Other administrative difficulties.*—The problems involved in controlling the production and marketing of some twenty-five billion pounds of livestock concern some five or six million producers. To administer the law a great army of Federal employees must be built up at tremendous expense. As most producers have no production records, a complicated question will arise as to how to determine whether in fact production can be or has been increased or decreased.

VIII. Can meat processors pay the tax?—In view of the difficulty of collecting the proposed tax from the consumer, and in the light of the other practical problems enumerated, the question arises whether the meat processors themselves will be able to pay the tax. The processor's profit, as mentioned above, is, in prosperous times, between one fourth and one sixth of a cent per pound of meat sold. During the past 2 years it has been the experience that meat processors, wholesalers, and retailers, have failed to earn a profit, and many if not most of them have as a matter of fact been operating at a loss, yet have succeeded in maintaining employment at a high rate compared with the level in other industries. In other words, the same depression which has affected the producer of livestock has borne down upon the agencies which have processed and marketed his products. Both producer and processor have appeared to be inexorably subject to the purchasing power of the ultimate consumer.

Altogether aside from the present depression, there has never been a time when the margin of profit realized by the meat business could cover the amount of the proposed tax, or even a small portion of it.

IX. Possible restrictions upon the free livestock market.—In view, accordingly, of the impossibility of the processor absorbing the proposed tax, and the unlikelihood of his being able to recover the tax from the consumer, the Secretary of Agriculture in administering the bill will be compelled to consider the possible reorganization of the entire system of marketing livestock which with both livestock producers and processors may be confronted, and the effect of such reorganization upon the producer. At the present time the meat processor is able to sell his entire output at some price. That price, as has been indicated, is, in the last analysis, determined by what the consumer is willing to pay for the product. Above that price experience shows that the total output can not be sold. The fact, however, that at some price it is possible to sell the entire output, enables the processor to purchase for cash and to process all the livestock coming to market at any one time. The price paid for the livestock is determined by the price at which the processed meat can be sold. The automatic adjustment of prices thus effected alone makes it possible for the processors to take all the livestock offered in the open markets.

If the processor is unable to market his product at a price which will include the proposed tax, it will be necessary for him to reduce his purchases of livestock to that number which can be immediately marketed without loss. Such a restriction, which the proposed tax may impose, may destroy the facility which the producer has long enjoyed of a daily cash market for all the livestock he chooses to sell. If this unfortunate result should ensue, the surplus of livestock might have to be held back upon the farm and ultimately sold, if sold at all, at such low prices that the producer might realize less for his output as a whole than if the processing tax had never been imposed.

Conclusion.—In the experiment which is proposed, difficulties would be encountered beyond the power of the meat processor to surmount. It has been stated that if the plan does not work the farmer will be no worse off. Serious question may be raised as to the accuracy of that prophesy. If the great livestock and packing industry is seriously disrupted; if an artificial effort to interfere with the normal operation of economic forces disorganizes the method which long experience has developed for marketing livestock and its products, the reaction may be disastrous, not alone to the meat processor and his employed labor, but to the farmer whom it is now proposed to benefit.

It should be emphasized, in conclusion, that the meat processor is the marketing agency of the livestock producer. Experience has revealed no magic by which the producer may be made immune from the operation of economic forces which circumscribe his marketing agency. If by any process the farmer can be made prosperous the meat processor will become prosperous, and they can rejoice together. Neither the farmer nor the processor is prosperous today. Both seek prosperity. The interests of the meat processor compel him by every practicable method to promote the welfare of the livestock producer. Their interests are mututal. By the same token, anything that actually benefits the one will in turn benefit the other, so any policy injurious to either may become injurious to both.

I think it is perfectly obvious that if you had a sustained rising trend of livestock prices there isn't anything in the world that could do you as much good as that. Increase the value of inventories, give us a merchandising margin, and we would welcome it for ourselves, as well as for those who raise the livestock we market.

The institute does not believe that the problem of prosperity for either the livestock producer or the meat processor is insoluble without departure from proven principles. The essential and indispensable necessity is to create new purchasing power and to open up the pathways of normal trade. Great strides in that direction have already been made under the leadership of the President. The stabilizing of the banking structure, the drastic reduction in Government expenses, and assurance of the adequacy and the soundness of the currency—all point toward the restoration of general prosperity. Other measures of similar import are in prospect. Once unemployment is reduced and industry starts functioning there will be an increased demand for meat products, which will automatically create an improved price in which the farmer will share.

It may be that desperate conditions call for desperate remedies. In passing the emergency banking bill, however, both the President and the Congress felt obliged to add thereto sound principles of finance. The searching questions to be applied to the farm relief bill as considered from the standpoint of its effect upon the livestock industry, which includes the producer, the packer, and the distributor of its products are these:

1. Does it, in the light of tried experience, give promise of correcting the trouble?
2. Does it in truth give the livestock producer a sound basis upon which to build an improved economic situation?
3. Is there danger that the proposed remedy will but intensify his difficulties?

Mr. Chairman, we were most particular in trying to state exactly the spirit in which we came before the committee, the statement of our views. If it is not asking too much—you have been very generous to me already—I would like to read the first half page of this, so that I may get that point of view before the Senators who came in.

Senator Wheeler. No; we do not care about that.

Senator Thomas of Oklahoma. They will be able to read that in the record. Are there any questions to ask Mr. Woods?

Senator Wheeler. I was going to ask what piece of legislation that you refer to, that has thus far been passed, has had any tendency to bring up the price of farm commodities?

Mr. Woods. Which has thus far been passed?

Senator Wheeler. Yes; by the Congress of the United States, that will have any tendency to bring up the price of farm commodities.

Mr. Woods. Well, offhand, I know of none, unless there is some bill in the export field that has made foreign trade go easier.

Senator Wheeler. Now, you speak of an adequate, sound currency, and you spoke of it as if it would bring up farm commodity prices. Do you know of any way in which the present currency system can bring up farm commodity prices?

Mr. Woods. I suspect I did not make the point clear there that I was trying to make. I use that merely as an illustration, that in that situation the experiment follows lines that had been tried before.

Senator Wheeler. What line has been tried before that will bring up commodity prices at the present time?

Mr. Woods. I know of none.

Senator Wheeler. You know of none?

Mr. Woods. No, sir.

Senator Wheeler. So that, as a matter of fact, the only thing that you would suggest at the present time to help the farmer is really reduction in freight rates?

Mr. Woods. Not at all, sir.

Senator Wheeler. What other suggestions have you made?

Mr. Woods. I have not made any. I was trying to indicate that the suggestion about the freight rates was in the manuscript, but that I had some others that I would submit in another answer to your question. We do not have any plans; we do not have a conviction that this is a simple situation to solve or that we can bring a ready remedy. We have given it a great deal of earnest thought, not only because we feel that was our obligation, but because we have asked many times the question that you asked today, and at some other hearings: "Well, what have you to offer instead? If you are against this, what do you propose?" And we have been studying the thing as earnestly as we could.

Senator Wheeler. But before you get to that, let me ask you, because I know the packers—you do sell abroad, do you not?

Mr. Woods. Yes.

Senator Wheeler. And when you sell abroad, do you not come in contact with the depreciated currencies of other countries?

Mr. Woods. Yes.

Senator Wheeler. And is not that at the present time affecting the price which your commodities sell for abroad?

Mr. Woods. It did affect it some when the British went off the gold standard. There was a good deal of confusion at first. Our greatest difficulties, however, I would say in our export trade are two—well, they are really three. One is the competition of the Continent. They are closer than we are, their haul is much shorter, they have been redeveloping their own herds, which were greatly depleted during the war, and just the straight-out competition has been our hardest factor.

The next two, I would say, are the British quota policy, which will be tightened more and more, presumably, and the German exchange restrictions. They do not have a quota but they do have a system whereby the number of marks that can be converted into dollars is definitely limited, and that is just as restrictive as a quota.

Finally, there is the recent tariff on lard, amounting to about 100 percent of the landed cost.

Senator Wheeler. In the sale of cattle, for instance, you come in contact, do you not, with Argentine?

Mr. Woods. No, we cannot compete with Argentine cattle. We have no export business on cattle. Pork and lard are our important items.

Senator **Wheeler**. What countries do compete with you on pork and lard?

Mr. **Woods**. Czechoslovakia, Poland, Germany, but principally Denmark on bacon, and we have some competition from the Netherlands. We have competition from the whole continental Europe on lard, and on bacon we have the countries I mentioned, and the Irish Free State, too.

Senator **Wheeler**. Then does not the depression of the money of Argentina, for instance, affect the price of cattle in this country?

Mr. **Woods**. Offhand, I think it has no effect at all. We simply are not in competition with them. They have the beef business, if I may use the expression, "sewed up", the export beef business. They do not export pork products. We simply do not meet them in the market place.

Senator **Wheeler**. You do not meet them at all?

Mr. **Woods**. No, sir.

Senator **Wheeler**. They just put the United States out of the market entirely?

Mr. **Woods**. Yes, sir.

Senator **Wheeler**. On cattle?

Mr. **Woods**. We have reverted to the situation existing before the war. We got back temporarily during the pressure of those conditions, but as soon as that was over we lost out again. The reason is that there is nothing to the discredit of the United States—they have these long, tall grasses there and very cheap production cost, and we simply cannot raise the same grade of cattle as cheaply in this country. They can do it a great deal cheaper than we can. I am not trying to evade the question. I would like to run out and meet it, but I cannot make a satisfactory answer unless I know what you are trying to develop, and, as I sense it, it is whether in the markets where we do meet these other exporting countries we find a great deal of difficulty in the depreciated currency.

Senator **Wheeler**. Yes.

Mr. **Woods**. We did for a while. At first there was some confusion but I would not put it as the first factor now.

Senator **Wheeler**. What countries do you export your lard to?

Mr. **Woods**. England and Germany, primarily. And we take them bacon about equal quantities; Germany a little more.

Senator **Wheeler**. How was your export trade generally last year?

Mr. **Woods**. Very unsatisfactory.

Senator **Wheeler**. It has been going down?

Mr. **Woods**. It has been going down. Our lard held up better than anything else.

Senator **Kendrick**. That was due in large part to the rehabilitation of their flocks and herds?

Mr. **Woods**. Exactly.

Senator **Bankhead**. What percentage does the depreciated currency have, what percentage effect?

Mr. **Woods**. I do not think you could measure it in that way. It is not a factor that we find most distressed in our competitive relationships in export trade.

Senator **Bankhead**. When you convert the pound sterling into dollars, you have got to take less, have you not, by reason of their depreciated exchange?

Mr. **Woods**. I think where it affected us at all was at first particularly. You know, the British prices did not all go up as much as we thought they would. We were pretty much scared about that.

Senator **Wheeler**. They did go up a very little?

Mr. **Woods**. Yes; but the way it would affect us was making it impossible for them to buy our stuff in competition with American producers.

Senator **Bankhead**. That is the point I am making, the difficulty of converting their money into our money without loss to them. Was not that reflected in our exports?

Mr. **Woods**. We can not measure it, sir. It is not our big factor.

Senator **Bankhead**. It is a substantial factor?

Mr. **Woods**. Perhaps. I wish I was more competent to answer that.

Senator **Bankhead**. You have had a 30 percent depreciation. Did not that amount to practically the same percent differential against you?

Mr. **Woods**. No, sir; it did not, as I understand the situation, because their prices did not respond that way.

Senator **Bankhead**. I mean their dollars compared to our prices.

Mr. **Woods**. You see, where it affected us, Senator, would be if their 30 percent depreciation made our high-priced dollar look awfully high to the British consumer in terms of their prices, and it did not work out that way.

Senator **Wheeler**. What you had to do was to sell in their prices and then convert the money back into our money.

Mr. **Woods**. That is right, and it would have made very high prices over there if their prices had gone up in terms of this 30 percent, you speak of.

Senator **Wheeler**. What it would have meant would be that you would have had to sell at lower prices over there to meet the competition of the depreciated currency of the country.

Mr. **Woods**. Or not sell at all.

Senator **Wheeler**. Yes.

Senator **Bankhead**. And it did have an effect upon the volume of your exports.

Mr. **Woods**. Slightly, sir. Let me hasten to add that I have no position on this money question.

Senator **Wheeler**. I understand that. I am not trying to get at that. Of course, Denmark has not depreciated her currency, and Germany has not depreciated her currency, like some of the other countries have, and consequently it would not affect them to that extent. The fact that England depreciated her own currency would not particularly affect the situation, providing she could not buy goods from some other country which had depreciated currency to the extent that Argentine or Japan did.

Mr. **Woods**. I think that is a sound proposition.

Senator **Wheeler**. Now, what is your constructive program that you have?

Mr. **Woods**. Maybe that dignifies it too much. I saw you take one or two of these other processors apart. [Laughter]. I decided it was the part of discretion to cut my ideas down.

Senator **Wheeler**. I had no intention of doing that.

Mr. Woods. It really makes light of them, because we have wrestled with the problem for months, just trying to meet the answer to that question which we think is a perfectly fair one, and we do not offer this as any panacea. We think that it represents some of the things that might be done, some of the things that might be thought of at least as possible.

First, it is not possible to sell a given supply of meat except at a certain price, if other conditions remain the same. I mean, given a supply of meat and given consuming power, that there is some price level that will move that meat into consumption, and that is the only price that will move it into consumption, unless you want to be charitable and take a lower one. So, you cannot change the price of meat unless you also change the supply, and I think that has been pretty clearly brought out here, and is true of any perishable. So the first thing seems to be some means of controlling production, either contracting it or expanding it in line with the need. Our suggestion on that is that the proper use of centralized credit may deserve some study as a means of expanding or contracting production. You gentlemen from livestock sections know that if you were conducting an operation of any size, of a given size, you do it on capital, just as you do in any other business.

Senator Wheeler. Just tell us what your suggestion is with reference to that. You have just stated; now how would you put it in operation?

Mr. Woods. You have a number of agencies that have been lending money to livestock growers. As I understand it, they are now being pretty well consolidated and centralized.

Senator Bankhead. Do they get all of their money from Government agencies?

Mr. Woods. Not all of it. They get very much more of it than they ever did before. There are only a few cattle loan companies left, and I would say that most of the financing is done through Government agencies, and some, as Mr. Farr, one of your livestock witnesses whom I heard, testified, through the Federal reserve banks and their constituent banks.

Senator Bankhead. If the Government credit was restricted, are there other sources or avenues for them to obtain money?

Mr. Woods. Nothing that compares with it. You take the Reconstruction Finance Corporation agricultural lending agencies and your cooperative lending agencies, it struck me that perhaps you have a means there of letting out or drawing in rope.

Senator Wheeler. Your centralized bureau credit, is it your idea that they can control production through the loans that they would make?

Mr. Woods. And through their general credit policy.

Senator Wheeler. Through the general credit policy. In other words, you would plan to contract the production by refusing to loan the producer money, so that he would have cut down the number of cattle produced.

Mr. Woods. By lending him less money, if it was apparent that lending him more money would react to his own hurt, and lending him more money if a shortage was in prospect.

Senator Wheeler. But you can readily understand the difficulty with a plan of that kind by the Government, for this reason: If you place that power in the hands of somebody to contract the credit, the party who is making the loan could very easily say to John Smith over here, "We will loan you so much money, but we won't loan it to you, because", and in that way put out of business some cattle men and keep others in.

Mr. Woods. Would that same consideration apply to all the provisions in this present bill?

Senator Wheeler. I would not think so.

Mr. Woods. Not so much.

Senator Kendrick. Mr. Woods, do you not think it is more than likely that the whole system would fail, at least that kind of a system would fail, on account of the uneconomic condition that you would impose on the borrower? Suppose, for instance, you take it as it is; every production unit has its line under which it may proceed in an economical way of production, and the moment you interfere with the balanced situation you throw the entire plan out of line and out of balance. You can operate a ranch, a small ranch we will say, with 100 cattle; if you reduce it to 50 or 75 it takes all the earnings of the cattle to pay the expenses, and if you place such restrictions as that upon the borrower, immediately you make his entire unit unproductive.

Mr. Woods. I was not thinking of it in terms of, in those terms, Senator Kendrick. In the first place, I will say that we have not gone into it in detail. It does not particularly represent the policy of the institute. It was something, it seemed to me, worth talking about, but we have not thought of it particularly as saying to the producers at all how many or how few cattle he could raise. It would necessarily point toward a production. The suggestion occurred to me in consequence of talking with one or two men in cooperative livestock organizations who are lending money in that branch of activity—I do not care to identify the associations because the gentlemen did not bring his ideas forward, but I was told that a good many of the loans that had been made—I do not know whether they were seed and stock loans or some other kind of loans, and I am not criticising any individual or any agency, but a good many of the uses of credit have really been a detriment to the individuals who were persuaded thereby to expand their business at an inopportune time. And the only point I want to make on that is that in the deliberations the committee might care to consider in the new set-up that has been made, whether the centralized use of credit that has been set up could be an influence in the direction of production.

Senator Wheeler. What you want to do, what we want you to do, is to raise commodity prices. If you can raise commodity prices, it is going to be beneficial to the packers, it is going to be beneficial to the manufacturers of all classes, is it not?

Mr. Woods. I would not put it as narrow as that. Generally I agree with you. I think what you want to do is to raise the producers' total return. It would not do any good to give him $50 a bushel for wheat if he could not sell any quantity of wheat. I do not know whether I make myself clear or not. It is the entire amount he gets, rather than the amount per unit, that gives him his total income.

Senator Wheeler. Well, not entirely, in their present set-up, because of the fact that he has created—he has got this indebtedness that he has created in 1929 when commodity prices went to a very high point. The dollar had an entirely different value relative to commodities then, and no farmer can pay back a thousand dollars that he borrowed in 1929, or 1926, we will say, because that is more nearly the correct year; but if he borrowed $1,000 in 1929, when wheat was selling at a dollar a bushel, he can not possibly pay it back now, pay off that indebtedness, with wheat selling at 13 to 20 cents, can he?

Mr. WOODS. No, sir.

Senator WHEELER. And no business enterprise in this country, I do not care what business enterprise it is, can do it either; can it?

Mr. WOODS. We have the same difficulty. I can give you a case from our own industry.

Senator WHEELER. I have no doubt but what a good many other packers are in identically the same condition. So that one of two things has got to happen in this country: Either there has got to be a general liquidation of all business enterprises wherever they are, where they are indebted or have got indebtedness, and the reorganization of all business enterprises, or else you have got to get the commodity prices up; have you not?

Mr. WOODS. I think there is a good deal of validity in the point of view that those two things have got to be close together.

Senator WHEELER. One or the other.

Mr. WOODS. Or both.

Senator WHEELER. They could not both happen.

Mr. WOODS. I mean, your freight rates, for example, could go down and commodity prices come up.

Senator WHEELER. Yes; but I am speaking generally of the indebtedness in this country. It should be apparent to anybody that one of two things has got to come about; that all of the indebtedness that is owed, whether it is owed by farmers, by industrial corporations, or whether it is owed by individuals, it has got to be completely liquidated, and probably general bankruptcy or general reorganization, or else commodity prices have got to go up, come up, so that the farmer and the manufacturer, or whoever it is that borrowed that money, can pay that money back, pay his debts, I mean, with money that has the relative purchasing power that it did in 1926 and 1929 when he borrowed it. Is not that correct?

Mr. WOODS. I do not know whether I would say the same thing in those words.

Senator WHEELER. How would you say it?

Mr. WOODS. It is hard to answer, that yes or no.

Senator WHEELER. You say it then.

Mr. WOODS. All right, I will say it as I best understand it. I would say that the fact that the farmers, business men, and others have obligations and are paying taxes that were incurred when the dollar had a very much higher value than it has now, are very hard set and are having an awful time and may have a worse time to try to meet those obligations and those expenses with the dollar basis on the low-priced commodities we have now; and in further substantiation of what you have said and I have said, too, to the degree that we have said the same thing, I can think of a case in our industry, where packers handling almost the same tonnage but the money volume is cut almost in half, and he has that problem that you mentioned of paying those taxes and making those mortgage payments. It is a very serious situation. Now, whether I could wrap it all up in one package and say, "Everybody is going bankrupt if it isn't done," I do not know. It seems to me different groups stand in relatively more favorable and relatively more unfavorable circumstances, as the case may be.

Senator **Wheeler**. I just received a letter this morning from a man in my State who told me an incident that happened just a few days ago where he said they attempted to foreclose a mortgage on a farmer over in eastern Montana; that a thousand farmers got together there to protest. The sheriff swore in a lot of extra deputies and so forth, and armed them, with the idea of going through and carrying out the forcelosure proceedings, but when they went out and saw this thousand farmers there in silent protest, they decided they had better not attempt to go through with it. That same thing has occurred, not only in Montana, but it is occurring all through the country. These people today—and this is something that you processors had better think about, and something that the people in the East had better think about, that they have not been giving sufficiently serious thought to—these men now are in silent protest but in my humble judgment if this thing goes on for six months more it will not be a silent protest, because of the determination on the part of these farmers and these people out there that I think has seldom been exhibited in the history of this Nation.

Mr. **Woods**. Senator, we are almost ready to join them. [Laughter.]

Senator **Wheeler**. I think you will be. I think you will be, if this thing keeps on. I do not think there is any doubt about that.

Senator **Kendrick**. You had some other suggestions, did you not, that you were going to make?

Mr. **Woods**. As I say, this credit thing, I do not speak for my organization on that; I thought it was something that was worth thinking about, because they are new tools at hand. The other is the possibility of regulating supply and marketing, as well as production. That is, after you have got your production, after your animals are farrowed, even before they are farrowed, you are committed to a certain production. Then you have the problem of the orderly flow of that production to market, so that you have the problem of achieving in some fashion a more orderly marketing, both of the raw materials and of the products. Producers have more freedom to cooperate than we have. Perhaps if both packers and producers could cooperate more closely under some auspices it would assure adequately the safeguarding of the public interest, and a good deal of the waste, a good deal of the destructive competition, a good deal of overshipping of markets could be corrected. I do not offer that as a panacea. I think that it might be helpful.

Senator **Bankhead**. That is the rule commonly called "orderly marketing."

Mr. **Woods**. Orderly marketing, but some definite provision for permitting a closer cooperation among the producers; an orderly marketing of the products as well.

And, thirdly, and the one thing I would like to suggest, with conviction and with my organization behind it, is some means that will expand foreign markets for meat and lard. We have only a very small exportable surplus in the livestock industry. It is different from some of these other commodities in that particular. I believe, I do not know much about cotton, but I believe you export a very large portion of it. There is only a little part of the meat that is exported, only a relatively small part in tonnage of pork, percentage of tonnage. If through reciprocal tariff agreements, reciprocal tariff warrants, or any other method, you could stimulate those foreign outlets, it will just about do the trick.

Senator **Wheeler**. Can you tell us how it can be done?

Senator **Kendrick**. It is your opinion that a limited amount of the increase in consumption would very largely take care of the present situation?

Mr. **Woods**. In the demand, yes; in the effective demand. It would not do any good to consume a little more at destructive prices. It would do that much good but it would not be adequate.

Senator **Norris**. Is that the last remedy you suggest, those three?

Mr. **Woods**. The last one that has anything affirmative in it. Of course, we do feel that a reduction in taxes is highly important. My only reason for not urging that more strongly is because it would just be wearying. It has already been brought up before this committee.

Senator **Bankhead**. You do not know any way that a Congressman could reduce his expenses any further, do you, since we have gotten through the last operation? [Laughter.]

Mr. **Woods**. No, sir; I do not.

Senator **Norris**. I am assuming that you have the same interest we have. I want to commend you before I ask you the few questions that I want to ask you for what seems to me to be your fairness in approaching these subjects, and I am assuming you are just as conscientious in your ideas as I am in mine, and you may be entirely right and I may be entirely wrong.

Mr. **Woods**. May I say just one word, just to complete that picture, also of the same character as reduction in interest in freight rates we put reduction of taxes, reduction in interest rates and the possibility of reduction in freight rates.

Senator **Norris**. We all recognize the terrible dilemma in which we are placed. I assume that not only for selfish reasons of your own business but as a citizen, as a fair-minded man as you seem to be, you are interested in the prosperity of the farmer.

Mr. **Woods**. We are.

Senator **Norris**. Realizing that after all he is at the bottom of the pyramid, and if he does not prosper we cannot have permanent prosperity. I take it you are opposed to the bill?

Mr. **Woods**. We have given our views as clearly as we can out of our experience.

Senator **Norris**. I draw that conclusion, that you are not freindly to this legislation.

Mr. **Woods**. We are not urging its passage. [Laughter.]

Senator **Norris**. You would rather it would not be passed? Now, I have respect for that opinion, but you realize probably, as we all do, that to quite an extent at least it is an experiment. To be fair about it, agreeing that we all are of the same opinion about wanting to do something, we ought to either say, "It seems to me the question can not be solved and we should do nothing"—I concede that a man who honestly believes that, could be perfectly consistent in saying so; or if there is any chance of solving a desperate situation, we are justified in resorting to desperate methods, even though we are not sure just how we are coming out; and the man who says, "There is some solution for it but this is not the one," to be fair ought to give his solution of it. Now, your solution, as I understand it, is involved under three heads. One is credit. Loan more money at cheaper rates.

Mr. **Woods**. No, sir.

Senator **Norris**. It is not?

Mr. **Woods**. Credit as a means of control. You might lend less; you might lend more. May I just elaborate?

Senator **Norris**. I want to get from you, if I can, your idea as to how we are going to solve this thing. What should we do? If there is anything we can do, and this is not right, what should we do that will bring relief to the farmer? I understood your first one was the extension of credit.

Mr. **Woods**. No.

Senator **Norris**. We will eliminate that, then.

Mr. **Woods**. I would not eliminate it; I would restate it.

Senator **Norris**. If you do not eliminate it, you still have it. Then you believe in it, more credit?

Mr. **Woods**. No, sir.

Senator **Norris**. Then you do not want any more credit extended? You do not think credit would solve the question?

Mr. **Woods**. Not put in terms of just lending more money at lower interest rates. I think maybe some harm in some particular instances has been done in that way already.

Senator **Norris**. But do you think that by any system of credit now that you have in mind it would bring relief to agriculture?

Mr. **Woods**. I think the use of credit might be a convenient tool in connection with efforts to control production. If you will just let me elaborate that a little bit, I think I can make the proposal clearer.

First, in the livestock and meat industry, you have a product that is always eaten at some price. You never have the problem of a surplus in the sense that you have got more than you can sell. A surplus is registered by the losses that you have incurred, rather than by the fact that you cannot sell all of it.

Secondly, you have only a small exportable surplus. Your domestic consumption uses up most of it. So that the problem does not bulk as large as it might at first seem. Nearly everybody has agreed that if in some way you could adjust production more intelligently to demand it would solve the situation and if we did not produce 50,000,000 hogs, for example, when only 45,000,000 were needed, that that would settle the trouble.

Senator **Norris**. Now, if you think that is the right thing, we can do that.

Mr. **Woods**. That is just the point. Everybody says that. Unfortunately, your hogs are produced a year or more ahead of the time when the meat is going to be consumed. So that, first, it is very difficult when your breeding operations are conducted which determines the size of your production—it is very difficult to anticipate what the demand will be when those hogs subsequently are born and then subsequently after that come to market and are turned into meat.

Secondly, since the hog is such an important part of the rest of your agricultural system for utilizing the corn crop and utilizing other things, it is very difficult to control the production and to get people to do the things that would be right if you knew what they were.

Senator NORRIS. Now, there are two serious difficulties. First, you do not know what to do and, second, it would be difficult to do it if you did know.

Mr. WOODS. That you can not anticipate very exactly. Occasionally some of the statisticians have tried to anticipate what the demand would be, and they found it a difficult problem. Some of them think they can do it. Some of them maybe think they cannot do it. But now the biggest objection that has been raised to any effort at orderly production, production that would have a speaking acquaintance with demand, and orderly marketing has been, "Well, you can't control production. How are you going to control production?" My suggestion was that perhaps the use of credit—putting a little more elasticity into it or taking a little out—might have some influence in that direction. Of course, education is another means. So far it has not worked very well. Some people have even said, "You should prescribe to the farmer how many hogs he should raise." That does not work very well and is subject to constitutional objections.

Senator BANKHEAD. Senator, would it interfere with you if I asked him a question there?

Senator NORRIS. No.

Senator BANKHEAD. Does the production in the hog meat depend upon reducing the number of hogs, or can it be controlled by marketing them when they have attained a certain weight?

Mr. WOODS. Both ways.

Senator BANKHEAD. Now, assuming that you have got a certain number of hogs, could you, by regulation, or in any way that you could to make it effective, reduce production by putting them on the market before you put too much meat on them?

Mr. WOODS. I think if you had some sort of council of producers and processors set up, with the Secretary of Agriculture participating, to see that the public was not exploited, or some other safeguard; then if you would let those people go so far as to say, "This is a season where we don't need as much meat; that is a season when we need more meat," it might be possible to put on differentials that would discourage a weighty hog or encourage a weighty hog.

Senator NORRIS. You would have to do that by a price-fixing arrangement, would you not?

Mr. WOODS. No, sir. The base price would take care of itself under supply-and-demand conditions; purely a question of differferentials between grades.

Senator NORRIS. You are talking about hogs now, under ordinary conditions where the farmer would lose money if he fed it longer, and also where he would lose money if he did not feed it up to a certain point. Now, you would not want to make any arrangements that would interfere with the farmer getting the most out of his hogs that it was possible for him to get? He might feed it too long; he might not feed it long enough. If you arbitrarily fixed the point where he had to stop, unless you fixed it at that point, you would be doing harm instead of good.

Mr. Woods. You mean, to the individual farmer, or to farmers collectively?

Senator Norris. I mean both. If you had the power to do so and issued an order that everybody must sell his hogs when they weighed 100 pounds—that is an extreme illustration, but I use it because it illustrates the point that it is not economically sound for the farmer to sell his hogs when they are just 100 pounds unless he has some extraordinary condition surrounding him where he can not feed them any longer. That would do an injury to the individual farmer, and to the farmers as a whole. So far as you said, he must feed this hog and sell it when it weighs 400 pounds; you would go to the other extreme, would you not? What I mean is, there is a point where, in order to get the most out of his business possible that he ought to, assuming now that the market is not changing—I realize that—but there is a point where he ought to sell that hog and loses money if he keeps it longer; but there is another point on the other side where he ought not to sell it and ought to keep it longer, and feed it more. Do you get the point?

Mr. Woods. Yes, surely. You could even say the same thing, Senator, of any voluntary arrangement. If everybody agreed, just out of a general patriotic spirit, that it would be good now not to make hogs so heavy—"Yes, we have a little too much hog meat to dispose of, and it would be wholesome if we did not have quite so much," and everybody except a few decided that they would market their hogs somewhat lighter, say 220; not run them up to 390; now, given that condition, when 90 per cent of the people did that, that would put a premium on heavy hogs and if somebody, as we say, wanted to "copper" that situation, would you be in favor, then, of protecting that fellow in his individualism?

Senator Norris. I do not see how you could, especially as a permanent proposition. I do not see how it would be practical to carry it out. I do not see how it would work myself.

Mr. Woods. Perhaps it would not.

Senator Norris. If it would not work, then there is no use considering it.

Mr. Woods. No use, but I do not know whether we can dispose of it quite that readily or not.

Senator Norris. Well, maybe not. Let us go on with the other. Another reason you gave was—another suggestion you gave was the regulating of markets. I agree with you that that would be a good thing. You can do something in that line, I think, but do you think that would remedy the situation confronting us now?

Mr. Woods. I think it would help it considerably.

Senator Norris. If it would help it, we ought to do it. Probably we will have to do a good many things, but what I am trying to get at is that the remedies that you are suggesting now, in my judgment at least, would not come anywhere near meeting the situation. I think, in other words, we would have to do something else, even though we were desperate in the selection of our dilemma.

Then your third one was—and it seems you relied on that more than any—was the expanding of the foreign markets. I can concede that that is a good thing, but I do not know how we are going to do it.

We have got to get the consent of foreign governments to do that. We have got to make some trade or some deal with them. We have got to make it a profitable thing for them from their viewpoint as well as from ours in order to bring it about.

Mr. **Woods**. I am no lawyer, but I am told that it is not a treaty point; that it is a question of dumping. I think some automatic machinery could be set up, quite without the aid of treaties, some reciprocal tariff or something of that sort that would do the thing immediately, if it is politic and in consonance with whatever informal engagements we have.

Senator **Norris**. For the sake of argument, let us just admit that it could be done—I doubt very much if it could, but it would be a good thing if we could do it, I concede that, but if you had all that accomplished would that give the farmer cost of production and a living profit on what he produces?

Mr. **Woods**. If you got much stimulus in the foreign market it would. It would not take much now in the livestock and meat industry to swing this thing. We are different from the other industries in that particular, that only a small percentage is involved.

Senator **Norris**. At best we do not know how we are going to come out on that. We do not know whether we can accomplish anything.

Mr. **Woods**. We are not sure of it, no.

Senator **Norris**. Should we wait now and not do anything, and see whether we can afterward work that out?

Mr. **Woods**. I would try to do this.

Senator **Norris**. That we are doing?

Mr. **Woods**. No.

Senator **Wheeler**. Let me ask you a question, if it will not interrupt you. You say that if the farmer could get cost of production you would be glad to see it?

Mr. **Woods**. Yes.

Senator **Wheeler**. You think that this bill will not do it?

Mr. **Woods**. Will not get the cost?

Senator **Wheeler**. Will not get the price up to the farmer.

Mr. **Woods**. That is, get his aggregate return up? Yes, I think it would not.

Senator **Wheeler**. You think it would not?

Mr. **Woods**. Yes, sir.

Senator **Wheeler**. Of course, I think that is the thing that we ought to be concerned in, as to whether or not this bill will raise the price of farm commodities.

Senator **Murphy**. Was the answer in the negative?

Mr. **Woods**. I said I did not think it would raise the farmers' total return.

Senator **Wheeler**. You say that you think you could get the price up by selling part of this surplus that we have got abroad? Is that it?

Mr. **Woods**. At a better figure.

Senator **Wheeler**. At a better figure? Well, if you could do that, you think that would put the price up so that the farmer could get cost of production in this country?

Mr. **Woods**. I do not know what the cost of production is, but my impression is that if you could do that in any satisfactory way, as your question implies, except as we are touched by the general business situation, that probably our livestock producers' troubles would be greatly reduced.

Senator **Wheeler**. No matter how you got it up, the contention is here that if you got it up the consumer could not pay the price.

Mr. **Woods**. Right.

Senator **Wheeler**. And now, you are saying in one breath that you feel that the price ought to come up, and no matter how you get the price up, the consumer is going to pay it?

Mr. **Woods**. Yes; indeed.

Senator **Wheeler**. He is going to pay it, whether you put a tax on him or whether you get it up by selling in foreign countries.

Mr. **Woods**. Yes, sir.

Senator **Wheeler**. What we are concerned with, it seems to me, and the only thing this committee should be concerned with is, Can we get the price up to the farmer? And you will agree that if you can get the price up to the farmer, it gives him greater purchasing power and then he will be able to buy manufactured articles?

Mr. **Woods**. If you can get his total return up; yes.

Senator **Wheeler**. Of course, and if you can get the price of his commodities up you will get the total return up?

Mr. **Woods**. Not necessarily.

Senator **Wheeler**. Why not?

Mr. **Woods**. For the reason that the consumer will not take the same supply at an artificially higher price. We could take a dozen hogs here, if that was the total supply, and sell them for any amount of money, but we can not take the same supply and get more for the meat, or we would have done it long ago and shown some profit.

Senator **Wheeler**. As a matter of fact, you have not got an overproduction of meat in this country at the present time, have you?

Mr. **Woods**. Not in the sense of having more than the people can eat, if they could buy it.

Senator **Frazier**. There is no surplus at all in beef or mutton.

Mr. **Woods**. No; not even of pork if the people could buy it.

Senator **Frazier**. What is the use of talking about a surplus of pork when you have got the same conditions there that you have in mutton and cattle? You have no surplus of those, and the price is down so low that the farmers are not getting anything for it.

Mr. **Woods**. Exactly.

Senator **Frazier**. Then you talk about taking care of a little surplus abroad, that that would solve the situation. That is all bunk.

Mr. **Woods**. Well, I cannot agree with you there, Senator.

Senator **Frazier**. How about beef and sheep?

Mr. **Woods**. Well, I would say that the beef situation is about like this: That at present levels many producers are losing money, a number are breaking even, and some, very few, are making money.

Senator **Frazier**. They are mighty few, so far as I know. My renter had some good steers, thousand pound steers, and he was offered 2 cents a pound on the local market for them, fat steers, stall fed. Do you think he can make money at that price? If you do, you have got another guess coming.

Mr. **Woods**. No; I agree with you he cannot.

Senator **Frazier**. It is not because there is a surplus of beef either.

Mr. **Woods**. As more than can be sold at prices that will give him a profit, though, Senator.

Senator WHEELER. And you have got other farm products besides sheep and cattle of which there is no surplus, and on which you have got a high tariff preventing any importation, and yet those products are down to perhaps not quite as low as wheat, but they are down 50 percent, or 100 percent in some instances, notwithstanding the fact that you have got no surplus.

Mr. WOODS. May I ask you what you mean by "no surplus"?

Senator WHEELER. I mean, you have not got a surplus that you have to sell abroad, ordinarily.

Mr. WOODS. No.

Senator WHEELER. For instance, you have got a surplus of wheat—I mean that you produce more wheat in this country than we consume, and lots of people will say to you that by reason of that fact, that is why the price of wheat is so low at the present time; but likewise we have got lots of other products of which we do not produce more than we consume, and the price of those commodities is down.

Mr. WOODS. Yes; but, Senator——

Senator WHEELER (interposing). And the reason why all commodities are down in this country, of every kind and character, whether they are manufactured or otherwise, is because of the fact that today there is not purchasing power in the hands of the people of this country to buy the things that they want to eat and the things they want to wear, and if there was purchasing power in this country there are a great many people who would have radios and they would buy automobiles and buy new shoes and I would buy some new clothes and a lot of other things.

Mr. WOODS. Yes.

Senator WHEELER. So that the real problem is to put purchasing power in the hands of the people who need these things, is it not?

Mr. WOODS. It seems so to me.

Senator WHEELER. Now we are seeking to do that in this bill by raising the price of commodities to the farmer, to the wheat farmer and to the cotton farmer, and if you can raise the price of wheat and the price of cotton to the farmers, and the price of corn and the price of hogs, then you are going to stimulate your whole price level throughout the United States, because when two or three or four of your major farm products go down, they bring down with them everything under the sun that we produce, whether it is manufactured articles or anything else, unless they can artificially hold them up, like they do with aluminum, but everything else they can bring down. That is correct, is it not?

Mr. WOODS. I think that part is not correct, that an increase in price necessarily means an increase in purchasing power to the farmer.

Senator WHEELER. Why not?

Mr. WOODS. In the case of meat I think it might mean a decrease. We have no surplus in pork in the sense that it could not all be eaten up if you dropped the price low enough. If we could get the price per unit increased and still sell the same quantity, I would agree with you 100 percent. That would certainly increase the purchasing power.

Senator WHEELER. Of course that would absolutely increase the purchasing power if we could get the price up and still sell as much.

Mr. WOODS. Yes.

Senator WHEELER. Well, if he can get his price up, then the farmer is going to start in to buy, to buy clothes, buy the things that he needs, farm machinery, and radios and everything else, which is going to tend to stimulate the business of the country and put men to work in the factories.

Mr. WOODS. Yes; but he is going to spend the quantity of money that he gets.

Senator WHEELER. But if he gets more for his stuff and he is able to sell it, he is going to spend more.

Mr. WOODS. Yes, sir.

Senator WHEELER. And he is going to sell more products if these people that are walking the streets get jobs.

Mr. WOODS. Yes, sir.

Senator BANKHEAD. I understood you to say that if you could sell a small portion of your pork and lard in foreign markets, that that would increase the price to the farmers for the commodities here?

Mr. WOODS. Yes; because we can sell a smaller supply at a higher price. If we had to sell just half the quantity of pork——

Senator BANKHEAD (interposing). You mean you could raise your price then on that which you sell in this country?

Mr. WOODS. If you reduce your supply, Senator, and the other conditions remain the same, the price will just naturally go up; if you increase your supply the price will go down.

Senator BANKHEAD. That is by reason of exporting part of the production, and thereby reducing the supply in this country.

Mr. WOODS. That would be right; yes.

Senator BANKHEAD. That would not apply to wheat too, would it?

Mr. WOODS. I do not know anything about wheat.

Senator BANKHEAD. You know the economic rule, if you have got a certain surplus and sell some of it now, that increases the prices in this country?

Mr. WOODS. You would be surprised at how little I know about wheat. About the only time I come in contact with it is when I begin to feed stock.

Senator BANKHEAD. We exported about 20,000,000 bushels the last 6 months of last year. Take cotton, then, if wheat does not suit you. Now, we exported 6,000,000 bales of cotton. You do not say that the foreign market puts the price upon the domestic market, do you?

Mr. WOODS. No; but I would imagine—I do not know what your tariff situation is here, but if it were poor and you did not export it and dumped it back here and had to eat all that at home, it would put the price down.

Senator WHEELER. What you are afraid of, as I gather it, if you raise the price at the present time of pork and cattle, they will eat less pork and cattle, and consequently the farmer will not grow pork and will not grow cattle, and will not get any more than he is getting at the present low prices because of the fact that he cannot sell it.

Mr. WOODS. He will get less for what he has got.

Senator BANKHEAD. The trouble with his argument, as I see it, Senator, is that he does not take into account the increased consuming and purchasing power by reason of the increased commodity prices. He assumes the same purchasing power by the consumer, therefore they could buy less, but when you put prices up and increase the purchasing power, he does not take that into account.

Senator KENDRICK. It ought to be borne in mind here that there is another feature that has not been touched upon, and that is that you are going to impose an enormous burden on this product as it moves from the producer through the processor to the consumer. There is no estimate as yet given as to what that cost will be, and that cost will not accrue—that amount is not going to accrue in very large part to your consumer nor to your producer either.

(Senator Smith took the chair.)

Mr. WOODS. Senator, if you are interested in examining the size of that tax, this report of the House committee shows what the rates would be. They show there that if you were going to put on a parity price, the tax in the case of cattle would be $4, in the case of hogs, $4.59 a hundred; on beef cattle, $2.10 a hundred, and lambs, $1.95. Now, when you figure that cattle will dress out about 53 or 54 percent, hogs will dress out about 75 percent, and sheep something less than 50, you have to write up those figures considerably more.

Senator KENDRICK. To take care of the fixed charges in the movement.

Mr. WOODS. To take care of the actual shrinkage of cutting them up. And then add retailer's profit and expenses.

Senator FRAZIER. Mr. Chairman, if we are going to hear the other witnesses and get through this afternoon, we cannot take all the time on one witness. We have had an hour and a half now.

The CHAIRMAN. I think you lost out because I could not be here. [Laughter.]

Senator SHIPSTEAD. What do you get for hides now?

Mr. WOODS. I cannot give you that offhand, but I will be glad to look it up and let you know.

Mr. CHAIRMAN. I will retire then, if I may. The only point I did want to make to clear this statement that you made, sir, is that we cannot sell the same supply, other conditions remaining the same, at an advanced price; we can sell a smaller supply at an advanced price, or we can sell a greater supply at a smaller price.

Senator WHEELER. The difference between you and some of us is that we are assuming that the conditions are not going to remain the same if we can get the price of farm commodities up; you are assuming that conditions are going to be the same if we do get farm commodities up. If we do not get them up, I agree with you; if we do get them up, you will be wrong.

Mr. WOODS. If you get the quantity of money up I will agree with you; in the case of meat it does not work that way.

Senator KENDRICK. I have a telegram here from Mr. J. Elmer Brock, president of the Wyoming Stockgrowers Association, that I want to read into the record:

CHEYENNE, WYO., *March 21, 1933.*

Senator JOHN B. KENDRICK,
United States Senate, Washington, D.C.:

We urge opposition to administration farm bill first because it would create immense and expensive bureau cost which must in end be borne by consumers including producers themselves. Second, because it delegates to Federal bureau unlimited and dangerous power to tax. If, however, it seems probable that bill will pass in some form we urge that all livestock and livestock products be exempted from operation of bill or any tax levied thereunder.

J. ELMER BROCK,
President, Wyoming Stockgrowers Association.

Senator WHEELER. Let me ask you a question. May I ask whether you got a similar telegram with reference to the proposed power to be vested in the Bureau when the bill was before Congress with reference to the soldier bonus, soldier compensation?

Senator KENDRICK. No; I did not receive it from this man. [Laughter.]

The CHAIRMAN. I want to impress on the witnesses and on the committee the fact that it is our intention to get through with the hearings this afternoon so that we may begin study of the bill, looking to its final passage. Our next witness is Mr. Charles W. Holman. Mr. Holman, will you give your name and address and occupation?

STATEMENT OF CHARLES W. HOLMAN, SECRETARY NATIONAL COOPERATIVE MILK PRODUCERS FEDERATION, WASHINGTON, D.C.

Mr. HOLMAN. Mr. Chairman, my name is Charles W. Holman. I am secretary of the National Cooperative Milk Producers Federation, with national offices at 1731 I Street in this city. I am filing with the reporter a list of our executive committee, directors, and 49 member organizations, which embraces the federation.

Executive committee: John D. Miller, G. W. Slocum, C. E. Hough, Harry Hartke, Frank P. Willits, John Brandt, N. P. Hull.

Alternates: W. P. Davis, R. Smith Snader, W. S. Moscrip.

DIRECTORS

Butter: G. H. Benkendorf, Modesto, Calif.; John Brandt, Litchfield, Minn.; R. G. Kinsley, McGregor, Iowa.

Cheese: Carl Haberlach, Tillamook, Oreg.; R. B. Melvin, Plymouth, Wis.

Other manufactured products: U. M. Dickey, Seattle, Wash.; J. H. Mason, Des Moines, Iowa; W. S. Moscrip, Lake Elmo, Minn.

Fluid milk and cream: W. P. Davis, Boston, Mass.; Harry Hartke, Covington, Ky.; G. W. Solcum, Milton, Pa.

DIRECTORS AT LARGE

H. D. Allebach, Philadelphia, Pa.; W. B. Belknap, Goshen, Ky.; P. S. Brenneman, Jefferson, Ohio; C. F. Dineen, Milwaukee, Wis.; A. E. Engbretson, Astoria, Oreg.; D. N. Geyer, Chicago, Ill.; I. W. Heaps, Baltimore, Md.; C. E. Hough, Hartford, Conn.; N. P. Hull, Lansing, Mich.; J. B. Irwin, Richfield, Minn.; John D. Miller, Susquehanna, Pa.; J. R. Smart, Columbus, Ohio; R. Smith Snader, New Windsor, Md.; H. C. Warren, Los Angeles, Calif.; Frank P. Willits, Ward, Pa.

MEMBER ORGANIZATIONS

Berrien County (Mich.) Milk Producers' Association, Benton Harbor, Mich.

California Milk Producers' Association, 947 Maple Avenue, Los Angeles, Calif.

Cedar Rapids Cooperative Dairy Co., 560 Tenth Street SW., Cedar Rapids, Iowa.

Challenge Cream and Butter Association, 925 East Second Street, Los Angeles, Calif.

Champaign County Milk Producers, 201 North Walnut Street, Champaign, Ill.

Dairy & Poultry Cooperatives, Inc., 110 North Franklin Street, Chicago, Ill.

Connecticut Milk Producers' Association, 450 Asylum Street, Hartford, Conn.

Cooperative Milk Producers' Association for San Francisco, Inc., 740 Pacific Building, San Francisco, Calif.

Cooperative Pure Milk Association of Cincinnati, Plum and Central Parkway, Cincinnati, Ohio.

Coos Bay Mutual Creamery Co., Marshfield, Oreg.

Dairymen's Cooperative Sales Association, 451 Century Building, Pittsburgh, Pa.

Dairymen's League Cooperative Association, Inc., 11 West Forty-second Street, New York, N. Y.

Des Moines Cooperative Dairy Marketing Association, 1935 Des Moines Street, Des Moines, Iowa.

Dubuque Cooperative Dairy Marketing Association, Inc., 1568 Iowa Street, Dubuque, Iowa.

Falls Cities Cooperative Milk Producers' Association, 202 Bourbon Stock Yards Building, Louisville, Ky.

Illinois Milk Producers' Association, 208–210 East State Street, Peoria, Ill.

Indiana Dairy Marketing Association, Muncie, Ind.

Inter-State Associated Creameries, 260 Hoyt Street, Portland, Oreg.

Inter-State Milk Producers' Association, Inc., 219 North Broad Street, Philadelphia, Pa.

Iowa Creameries' Association, 908 Pioneer National Bank Building, Waterloo, Iowa.

Land O'Lakes Creameries, Inc., 2201 Kennedy Street NE., Minneapolis, Minn.

McLean County Milk Producers' Association, Farm Bureau Building, Bloomington, Ill.

Maryland and Virginia Milk Producers' Association, 1731 Eye Street NW., Washington, D. C.

Maryland State Dairymen's Association, 810 Fidelity Building, Baltimore, Md.

Miami Valley Cooperative Milk Producers' Association, 136–138 West Maple Street, Dayton, Ohio.

Michigan Milk Producers' Association, 406 Stephenson Building, Detroit, Mich.

Milk Producers' Association of San Diego County, Eleventh and J Streets San Diego, Calif.

Milk Producers' Association of Summit County and vicinity, 145 Beaver Street, Akron, Ohio.

Milwaukee Cooperative Milk Producers, 1633 North Thirteenth Street, Milwaukee, Wis.

National Cheese Producers' Federation, Plymouth, Wis.

New England Milk Producers' Association, 51 Cornhill, Boston, Mass.

Northwestern (Ohio) Cooperative Sales Co., Wauseon, Ohio.

Ohio Farmers' Cooperative Milk Association, 3068 West One hundred and Second Street, Cleveland, Ohio.

O. K. Cooperative Milk Association, Oklahoma City, Okla.

Producers' Creamery, McClure at Twelfth Street, Marion, Ind.

Pure Milk Association, 608 South Dearborn Street, Chicago, Ill.

Pure Milk Producers' Association, 853 Live Stock Exchange Building, Kansas City, Mo.

Richmond Cooperative Milk Producers' Association, 605 East Canal Street, Richmond, Va.

Sanitary Milk Producers, room 609, Chamber of Commerce Building, 511 Locust Street, St. Louis, Mo.

Scioto Valley Cooperative Milk Producers' Association, 303 Grand Theater Building, Columbus, Ohio.

Shelby County Milk Producers' Association, 1039 South Bellevue, Memphis, Tenn.

Stark County Milk Producers' Association, Canton, Ohio.

Tillamook County Creamery Association, Tillamook, Oreg.

Tulsa Milk Producers' Cooperative Association, 1120 North Boston Street, Tulsa, Okla.

Twin City Milk Producers' Association, corner Raymond and University Avenues, St. Paul, Minn.

Twin Ports Cooperative Dairy Association, 6128 Tower Avenue, Superior, Wis.

United Dairymen's Association, 635 Elliott Avenue, west, Seattle, Wash.

Valley of Virginia Cooperative Milk Producers' Association, Harrisonburg, Va.

I am passing around a little map which shows the distribution as to homes where the farmers live. We belong to the constituent units of this organization. It is entirely agricultural in character.

Mr. CHAIRMAN. I have been instructed by the executive committee of our federation—and I will be very brief—to express the approval of the Federation of the House bill. We do not advocate any changes in the bill as it came to this committee. We are supporting the bill in all particulars. I shall address myself, however, only to those phases of the bill that may affect the dairy farmers of this country.

We supported the former allotment bill as it came to the house, asking for certain amendments before this committee. Those amendments were drafted into the bill that is now before the committee. We believe that the bill is far superior in its draftsmanship, in its workability, than the bill that was before this committee in the last session of Congress. So far as the dairy industry is concerned, there are some provisions in this bill that we believe will be of great benefit to our people.

First, the tax, if it should be imposed, is flexible, and there is a rule, of course, governing and limiting the power of taxation, notwithstanding the charge made in the telegram just read by the Senator here. Being flexible it would be a case of trial and error, some trial, some error, perhaps, but it would not be mandatory upon the Secretary at any time to put the full tax into effect if he found that it would not have the effect of supporting prices. I speak of that because if the bill should become a law at some distant date, the tax might be applied to some part of it.

But the particular provisions that we desire to commend to you cover the power giving the Secretary the right to license the trade including the cooperatives, and to control in interstate and foreign commerce operations so far as the licensees are concerned, so far as licensing is concerned. There are a great many evils existing today in the diary industry, both with regard to price discrimination in country districts, where at noncompetitive points butterfat is often bought at anywhere from 4 to 5 cents a pound under the price paid by the same creameries at competitive points. Through a lincensing system we think that that could be corrected in great measure and considerable benefit would come to our farmers as a result.

Also, I think, I can state conservatively that while dairy products and the price of milk in the cities has fallen tremendously, that fall was not so much due to the lack of consumer buying power in the cities for our milk as it was due to the lack of coordination among the farmers themselves and to the lack of cooperation among the distributors themselves, the result being a series of disastrous price-cutting tactics which forced the price of milk down in many cities of this country to far below what there was any consumer demand for it to go down to. We believe that through licensing and through conferences with the industry, the Secretary of Agriculture can do a great deal toward stabilizing conditions in the urban communities where we are marketing our milk.

Further, the diary farmers do need relief at the present time. Their prices have dropped; buying power has dropped considerably. The simple average on some of the important markets in the price of class 1 milk, which is milk that goes into bottles, as between 1929 and

February 1932, will range from 36 to 68 percent, with an average, a simple average, of about 45 percent in the drop in price.

Senator **Wheeler**. It has not dropped very much in Washington has it?

Mr. **Holman**. No, Senator; there are peculiar conditions surrounding the Washington market which make it difficult for farmers to produce milk here at much less than what they are now getting for it. There has been a distinct decrease in the buying power of butterfat, and I might call your attention to the fact that in the chief dairy States of the United States we have the highest percentage of farm mortgages outstanding, and our people are having as much difficulty as anybody else in trying to find a gross income on which to pay their interest and their mortgage debts. In that connection the average amount of butterfat that it takes to pay the tax on an acre of land has increased from 1913 to 1932, 176 percent. In other words, while 1 pound of butterfat would pay that much taxes, it now takes 1¾ pounds of butterfat to do that.

Without consuming any more time of the committee in direct statement, beyond this, to say that if this licensing provision goes in there are approximately 4,000 milk distributors in cities of over 10,000 population; there are approximately 3,500 creameries, not all of whom would have to be licensed, because many of them are under consolidated ownership; and there are something around 450 to 470 evaporating and condensing plants. That is not a large job of licensing, but the effect of helping to straighten out these bad trade practices would result, in our judgment, in stabilizing the industry to where we could begin to come back.

In closing let me say that our people recognize that this is simply one of the pieces of legislation intended to fortify us through this liquidation period. We do not regard this as the ultimate answer. We stand primarily for this, for the farm-mortgage bill that is coming on, and then for the bigger thing and the real thing we want, and that is monetary reform, a new deal, but I do not feel that I should go beyond that before this committee.

The **Chairman**. Let me ask you just one question: If the situation so far as the volume of money available were rectified now, is it not your opinion that most all of these—that all of these distressing symptoms would disappear?

Mr. **Holman**. Personally I believe that if that could be done now, Senator, it would not be necessary to have so much legislation of the fortification character, as I described it.

The **Chairman**. The vessels are all aground and we are trying to dig pools under each one to see if we can float it, but the thing to do is to get water enough in the stream to float them all.

Mr. **Holman**. But we must take what we can get. We want the mortgage legislation, we want this bill, and we would like to have it come out of this committee without changing a comma.

Senator **Shipstead**. Mr. Holman, you recognize the disparity of exchange between industry and agriculture?

Mr. **Holman**. Yes.

Senator **Shipstead**. Now, if we got a cheaper dollar, that cheaper dollar would mean cheaper for everybody, including industry.

Mr. **Holman**. We follow Dr. Warren, of Cornell, on that proposition. Dr. Warren, according to our understanding, makes the point that in these big basic commodities that have been stabilized and have not come down to the present average level of all commodities, that in the event of a cheapened dollar, those commodities would not and could not go up as rapidly as would the commodities that are of a lower value. In other words, we would come up and level up rather than having to level down, as is the present sad prospect before our people.

Senator SHIPSTEAD. Do you think that a cheapened dollar would dissipate the disparity between industry and agriculture?

Mr. HOLMAN. Not entirely; but it would greatly relieve all forms of industry.

Senator SHIPSTEAD. You realize that there was great disparity at the time the dollar was cheaper, and that agriculture was really losing out at that time?

Mr. HOLMAN. Yes.

Senator SHIPSTEAD. So you would not say that just cheapening the dollar would solve the problem of the farmer? He would still be below par with industry?

Mr. HOLMAN. No; there would still remain the fight between industry and agriculture as to the division, the right division of the national income, for which we have been working for many years.

The CHAIRMAN. We are very much obliged to you, Mr. Holman.

The next witness listed here is Mr. Broussard. I understand that Mr. Broussard wishes to speak in behalf of the rice growers, as the other speaker spoke in behalf of the rice millers, as I understand it. We will hear you for a few minutes now, Mr. Broussard. Will you state your name and occupation?

STATEMENT OF JAMES BROUSSARD, BEAUMONT, TEX.

Mr. BROUSSARD. My name is James Broussard, Beaumont, Tex. I am both a rice farmer and a rice miller. I have been in the rice-growing business for 40 years, and consistently farmed from the time I started, and am still farming. I will say I represent the Rice Growers Association at this time and myself. We are in a terrible predicament, and we believe that there is merit in this bill, the House bill, and we want to give you our entire approval of it. We believe there are parts of that bill under which the rice-growing industry can be placed on a paying basis.

We are now producing rice at about 15 cents a bushel loss, actual loss. That is money gone. I believe under the system of reducing acreage it can be worked out with the department here that we can put the rice industry on a basis where we will get from 75 to 85 cents a bushel for our commodity. That is due to the fact that we are protected with a tariff, and we are growing today about 25 percent more rice than can be consumed in the United State.

The CHAIRMAN. What is the tariff on a bushel of rice now?

Mr. BROUSSARD. The tariff on rice is about 2½ cents a pound for the cleaned rice. It is a highly protected industry.

Senator MCNARY. Mr. Broussard, what is the annual production expressed in bushels?

Mr. BROUSSARD. Forty million bushels today, a little over.

Senator WHEELER. You are affected by the depreciation in the price of silver in China and India?

Mr. **Broussard**. We are, Senator. Of course, that 25 percent surplus must be sold in markets in competition with China and Asiatic rice, which of course is on a silver basis.

The **Chairamn**. Your rice is on an exportable basis now? Do you produce more than is consumed in this country?

Mr. **Broussard**. Twenty-five percent more than we can consume, and that regulates the price of what we do consume in the country. That is why we are selling rice so cheaply. It is a case of shipping it out of the country, and that is the pendulum that puts the market on our domestic consumption.

The **Chairman**. You say it is about 15 cents a bushel under cost of production now?

Mr. **Broussard**. Under cost of production; yes.

The **Chairman**. Now, you say you are a miller and a grower. Then under the terms of this bill, that tax, that equalizing tax, or the parity tax, would be 15 cents a bushel. That is the object, to bring it up to parity. I do not know what your parity was between 1910 and 1914.

Mr. **Broussard**. It was considerably higher than that, but I believe the reduction in the production, cutting acreage and reducing production, would fix it so that you would not have to pay probably more than 3 or 4 cents.

The **Chairman**. Have you investigated to see what that parity price would be per bushel?

Mr. **Broussard**. It would be about 40 cents a bushel.

The **Chairman**. No; I mean the parity price.

Mr. **Broussard**. The difference between the price now and what it was in the pre-war period?

The **Chairman**. What is the estimate of the price to which you will have to raise a bushel of rice under this bill?

Mr. **Broussard**. Eighty cents a bushel.

The **Chairman**. You raise it to 80 cents?

Mr. **Broussard**. Yes; increased about 50 cents.

The **Chairman**. Therefore, you would have to raise it from 30 cents a bushel?

Mr. **Broussard**. Yes, sir.

The **Chairman**. Therefore, you as a miller would have to pay a tax of 30 cents a bushel to get the rice that you would treat domestically—I mean the rice that you would mill for domestic purposes.

Mr. **Broussard**. The rice growers and myself feel that there is one part of that bill where it provides for reduction of acreage by retiring acres from production. That will be the simple way to do it, because you will eliminate 200,000 acres with $600,000.

The **Chairman**. But you must remember that the operation of this bill does not contemplate taking the allotment plan and the leasing plan in the same place and with the same individual. They will work one where it is convenient and will work the other where that is convenient. Are you addressing yourself to the leasing plan or to the allotment plan?

Mr. **Broussard**. I am addressing myself to the plan that is now proposed, that gives the Secretary of Agriculture, as I understand it, the opportunity of going either way; he can take whichever way is most convenient.

The **Chairman**. Exactly. Which way will be the most convenient to you?

Mr. **Broussard**. The most convenient to me and to the industry would be on the leasing plan.

The **Chairman**. Rather than on the allotment plan?

Mr. **Broussard**. Yes; because as a processor I would have to pay on every bushel of rice that we mill a certain percentage or a certain percent per bushel to pay the acreage rental.

The **Chairman**. Under the allotment plan you would have to pay 30 cents a bushel to bring it up to the pre-war parity?

Mr. **Broussard**. Yes. Well, I believe there is a way in that bill that you can go either way. It is rather up to the Secretary, is it not?

The **Chairman**. Yes.

Mr. **Broussard**. Well, from my standpoint I would say the retiring of the acreage would be the simple, easy method of doing it.

The **Chairman**. Have you read the bill?

Mr. **Broussard**. Yes.

The **Chairman**. And you see it is clear and fair with the farmer; he can take either plan?

Mr. **Broussard**. Yes.

The **Chairman**. I just wanted the committee to be advised as to which plan you preferred in your business.

Mr. **Broussard**. My preference would be the retiring of the land from production, because that is simple, easy to work, will not cost anything hardly. The machinery for doing that is practically on the ground.

The **Chairman**. And that would get rid of it, temporarily at least.

Mr. **Broussard**. Temporarily. That is not the final panacea, but that will correct it for the next 2 years.

Senator **Bankhead**. What is your average acreage in production?

Mr. **Broussard**. About 850,000 acres.

Senator **Bankhead**. What is the average domestic consumption?

Mr. **Broussard**. About 30,000,000 bushels. You take 25 percent of that, 700,000 acres, would just about produce what we can sell in this country and export. That would still leave us on an export basis, but we can export a million pockets of rice at a high price.

Senator **McNary**. Where is your foreign market?

Mr. **Broussard**. In Germany, England, France, Argentine Republic—all over the world.

Senator **Norris**. What countries do you come in competition with in Germany?

Mr. **Broussard**. We come in competition with all of them. The only difference is that they prefer—they can use a small quantity of our high-grade rice—we raise the highest grade rice in the world.

Senator **Norris**. So the competition from China is not real competition for that grade?

Mr. **Broussard**. Not for that grade, but Italy and Spain grow a high-grade rice that comes in competition with ours.

The **Chairman**. That is an interesting statement you made. You say that you can export profitably about a million bushels?

Mr. **Broussard**. Yes; a million pockets. That is more than a million bushels. There is 100 pounds to a pocket—that is clean rice I am talking about—that would be about 3,000,000 bushels of rice.

The **Chairman**. That is about what percent of the crop?

Mr. **Broussard**. That would be about 10 percent.

The **Chairman**. Therefore, you could raise for export purposes 10 percent more than domestic consumption and still do a very comfortable business?

Mr. **Broussard**. Yes; still put rice on a paying basis.

The **Chairman**. And therefore you would like to have the leasing system apply to your business?

Mr. **Broussard**. Yes. It will work. There is no question in my mind about that, and it will not cost anybody any money. The difference to the farmer is that on 30,000,000 bushels he will get nearly twice as much money as he gets now for the 40,000,000 bushels.

The **Chairman**. Rice lands are not very profitable planted to any other crops, are they?

Mr. **Broussard**. No, sir; there is no other crop that you can plant on rice land profitably. You can grow cattle on it. That is what I do. We grow cattle on our lands that lay idle, and you have got to lay land out, you have got to have 2 acres in the rice business where you ordinarily would have one in any other crop, because it is not profitable to plant the acreage year in and year out. I plant one year, then lay it out and plant it again the second year. You have got to have 2 acres where with other crops you would only have to have one, and we have stock on our lands that are laid out.

Senator **Pope**. What effect would that have on the consumer—the price to the consumer?

Mr. **Broussard**. The price to the consumer will not be very much advanced, because in a large portion of the United States there is a spread between what the farmer gets today and what the miller gets and what the consumer pays, enough to take care of that additional price. Of course, in our immediate vicinity, where they sell rice awfully cheap, it would raise the price there somewhat.

Senator **Frazier**. There ought to be some regulation, should there not?

Mr. **Broussard**. No; let them pay more for it, because they would be getting more for it.

Senator **Frazier**. The retailer would raise the price again, on the same theory?

Mr. **Broussard**. Well, I say the consumer can pay more for it, because it will put him on his feet. I am speaking about in the Rice Belt, where we sell awfully cheap, 2 cents a pound, or a cent and a half a pound or a dollar a hundred. I sell lots of rice for a dollar a hundred.

Senator **Murphy**. Did you ever figure out what it costs us when we buy it in packages?

Mr. **Broussard**. Package rice comes high, because they put in a little better quality of rice and standard quality, and you are paying for quality then, you see. If you go down to the store you will not go to a cheap store to buy clothing, but you go where you can get a better grade. The other will last you just as long, but that is the way it is in rice; if you buy in a package you buy a little higher quality of rice, and for that reason you pay for it. It is a better grade of rice and you would pay a little more for it in the package, but probably the farmer would get twice as much for his rice. Are there any further questions?

The CHAIRMAN. No, Mr. Broussard. You certainly have given us a very clear statement.

Mr. BROUSSARD. Thank you, gentlemen.

The CHAIRMAN. Now, we are practically through with those who were previously listed. I have a request here for Mr. J. H. Mercer. Senator Capper has asked for him to be heard for a few minutes.

STATEMENT OF J. H. MERCER, STATE LIVESTOCK COMMISSIONER, TOPEKA, KANS.

Mr. MERCER. Mr. Chairman and gentlemen, I am livestock commissioner of the State of Kansas, also a feeder of cattle and hogs, and I am here representing the Kansas Livestock Association, an organization of Kansas, with a membership in quite a large number of States adjoining.

I did not prepare any statement. I have been in the livestock business about all my life and have paid a good deal of attention to the marketing of the industry. I appeared before the House committee, the Agricultural Committee of the House, recently on the allotment bill. The position of our organization is that we are anxious that any legislation shall be enacted that will be helpful to the farmers in general, but we have studied the plan of the allotment bill. I do not know just how much of those features are embodied in this bill, but we do not think it is workable as it applies to livestock. I cannot see how such a complicated industry could come under the provisions of a bill of that kind.

I have some thoughts, of course, about the plan that might be worked out in connection with being helpful to the livestock industry. I belong, of course, to several livestock organizations, and I believe that with an organization and something like the powers that are delegated to the Secretary of Agriculture, he could have authority to delegate the work or receive the support of an organization something like the National Livestock and Meat Growers, that is made up of all branches of the livestock industry, including packers, processors, and producers and breeders, sales agencies, and so forth—that an organization of that kind, with the authority, the Secretary having the authority to work out a plan, would be of a constructive nature, and in my opinion it largely depends on the merchandising of our business, insofar as prices are concerned, even now.

It is my opinion that if we have what has been termed "an orderly marketing", we would have more control over the movement of supplies and also the movement, probably, of the finished product; that we could have the prices of the raw material gradually increased, and that the consuming public would absorb it without any particular notice in any way; but it would have to come in a sort of an orderly way and it could be handled, in my judgment, without any particular cost to the Government, and I believe that if something of the kind could be inaugurated, the prices of livestock, meat animals especially, could be increased very nearly 100 percent over the present prices, and the consuming public would absorb it and would not notice it at all. I base that declaration on my observation of the business over forty-some years. I have been a feeder of cattle and hogs all my life. I have cattle to feed now. The business has been very, very discouraging and people are going under with very heavy losses and have been for more than 2 years, but it is not because, gentlemen of the committee, in my judgment, of our oversupply. I do not think we are oversupplied with meat animals. I think the records show that we are even not up to normal, and of course there is a large number of our people who are out of work; most of them are meat eaters, and to bring about the employment of our people will certainly increase the prices of food in this country.

The question was asked here by one of the Senators as to what had been done by the Government to help agriculture. In my opinion, the greatest good to agriculture that this Congress has done, or that any Congress has done, is the amendment to the Reconstruction Finance Corporation allowing the Corporation to set up regional credit corporations loaning money direct to the livestock industry; and the reason why I suggest a set-up of men engaged directly in the business is because of the results of the corporation set-up in our land-bank district. I happen to be a member of the board of directors of that set-up, and every man on it is a livestock producer. We have 1 or 2 bankers, and I feel we have made a success in that territory. I am positive that by reason of the use of Government money in the ninth land-bank district it has advanced the price of stocker and feeder cattle to as high a level as is warranted now under the conditions. The price has been advanced on cows from $10 to $15 a head, breeding cows, $1 a hundred to $1.50 on stocker and feeder cattle, and it certainly has been of great consequence to the people in our section. It has been a wonderful help to our farmers, and when we speak of the livestock industry, gentlemen, we speak of the farmers of our country. You talk about the dairy interests and the beef interests, the hog raisers, and so forth, the great bulk of our farmers are engaged in all classes of livestock business. They have some dairy cows and they have some beef cows and they raise hogs. So it helps them all along the line, and it certainly has been of great consequence in our section.

If Congress could fix up something along the same line to help in the financing of the farms and the real estate of the country, it seems to me it would be far better than to try to create something of a complicated nature, although I am not here to say one word against any provisions of this bill, only as it applies to livestock, and we are certainly anxious to have any help that can come through that feature; but, gentlemen, as I see it, and as a producer all my life, I cannot see how we could control the supply of livestock by any scheme that has been set up here by either one of these bills.

I think, in connection with this set-up, that probably the Secretary should have someone representing his Department set in on these groups and also more than likely the Attorney General should have, because there is no question but that because of this emergency, in undertaking to work out a plan of this kind it would have to be some agreement that might conflict with our antitrust laws.

I think, Mr. Chairman, that is about all I have to say.

The **Chairman.** We are very much obliged to you, Mr. Mercer.

Now, I want to state to those present, there are a few here who would like to be heard, and as this is the last meeting at which there will be hearings, Congressman Shoemaker, of Minnesota, desires 5 minutes, and the committee will be glad to hear him at this time.

STATEMENT OF HON. F. H. SHOEMAKER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MINNESOTA

Mr. **Shoemaker**. Mr. Chairman and gentlemen of the committee, as an actual farmer and as having had approximately 25 years of experience with various farm organizations throughout the United States, in the organization of cooperative institutions, and so forth, I have prepared a little plan which I would like to submit to this committee for consideration, and it is a plan which I think will be constructive and which will stimulate business, start our manufacturing industries going, thereby creating a market for our farmers and at the same time will not cost the taxpayers anything in the way of a tax or a levy.

In the first place, the money problem is the most serious part of our entire social fabric at the present time, and our immediate set-up which can be eliminated by taking three basic farm articles or commodities, wheat, cotton, and tobacco. Wheat, the older it is the better it is for milling purposes; tobacco increases in quality with age, while cotton is not affected by age. And the way to handle this is to issue actual currency, commodity currency, against these three staple products. These three staple commodities will act as a leverage to bring farm prices on all other commodities up.

Let me take, for example, wheat. The Government figures show that it costs $1.05 a bushel to produce wheat. That was the last figure that we have available from our Department of Agriculture, No. 1 northern hard. This is taken into consideration by averaging the cost of wheat production with some of the non-wheat-growing territory where wheat is not actually grown, as well as where it is successfully grown. But to illustrate that, we can take wheat for easy figuring as $1 a bushel, and instead of handling this in the manner that it was handled by the Farm Board—if I am correctly informed, there have been millions of bushels of wheat bought by the Farm Board and stored in our elevators, such as terminal elevators at Minneapolis and St. Paul, on which I have been told there has been a rate of 2 cents per bushel per month paid for storage on that wheat, and where it has been in storage for 2 years the amount of storage charged against the wheat is 48 cents a bushel, and the wheat when it was finally sold was listed somewhere around 40 cents a bushel in Minneapolis. So we not only lost the storage and money on the wheat, but we lost the entire money that was paid for the wheat plus the railroad transportation and freight charges to deliver it to these elevators. If we will change that around now and store this wheat on the farms—for illustration, if Senator Norris has a thousand bushels of wheat on his farm, he provides suitable storage for that wheat, and he goes to the Government and gets $1,000 at $1 a bushel, we will say for easy figuring, printed money, against that wheat. This wheat he must keep insured and make the Government the beneficiary against the elements. As long as that wheat is stored on his farm, he must also pay one half a cent per bushel annually to cover the clerical overhead on that wheat. This immediately gives him a thousand dollars in wheat currency that he goes out and spends for the various things necessary on his farm, new shingles or paint on his house, or pay up the debts that he owes the International Harvester Co., and pays his taxes, and so forth and so on. This will start up your industry and put purchasing power back into the hands of the producers.

Now, it will be argued that this cannot work because of the difference in our bushel of wheat and the Argentine bushel of wheat, and a provision can there be brought in whereby any importer that is buying goods in any foreign country can exchange this money based on commodities for regular large currency money, gold or silver, when he wants to step outside of the United States and use the regular dollar. This will put something of value, something of utility, something material and something that can be used, back of every dollar that is floating.

Some of you may say that this in inflation. This is not inflation because it automatically takes care of itself in this manner: If the United States Government is the only dealer in wheat, the miller must go to the Government to buy that wheat. He in turn buys a thousand bushels of wheat from the Government and surrenders to the Government $100,000 of this commodity currency, which is then destroyed by the Government.

Senator **Thomas** of Oklahoma. Will the gentleman yield for a question? Have you any reform bill such as this in the House of Representatives?

Mr. **Shoemaker**. I tried to, but we were worked too fast.

Senator **Thomas** of Oklahoma. Why do you not experiment over there, rather than experiment on the Senate with your ideas?

Mr. **Shoemaker**. Well, I did not know I was experimenting, Senator. In fact, I do not think this is an experiment.

Senator **Thomas** of Oklahoma. What do you think about this bill before us?

Mr. **Shoemaker**. What do I think about the bill as it left the House?

Senator **Thomas** of Oklahoma. Yes, as you passed it.

Mr. **Shoemaker**. Very emphatically I would class it as a monstrosity, from my observation, although I hope I am wrong. [Laughter.]

Senator **Capper**. You were one of those who voted against it?

Mr. **Shoemaker**. No; I voted for it. [Laughter.] You see, Senator, we do not have quite the opportunity for discussion over in the House, and I could not vote for anything else, so I was caught between the devil and the deep blue sea.

The **Chairman**. You considered the Senate was a hospitable place to go?

Mr. **Shoemaker**. Well, I felt it was a place that I might go to be heard. [Laughter.]

Senator **Capper**. I thought you would have presented this plan of yours to the House.

Mr. **Shoemaker**. I did not get an opportunity, Senator, I am sorry. I would have liked very much to present it to the House. [Laughter.]

Senator **Norris**. I think those of you who have served in the House realize the predicament that was presented to the Congressman.

Mr. **Shoemaker**. Four hundred and thirty-five people there were trying to get into that agricultural committee, and they could not all get in.

Senator **Norris**. No; it cannot be done.

The **Chairman**. You all seem to vote pretty regular over there. [Laughter.]

Mr. SHOEMAKER. Well, I have not been just exactly regular.

The CHAIRMAN. Are there any questions that the committee desires to ask Mr. Shoemaker?

Mr. SHOEMAKER. I would like to add that in the carrying out of this plan, it could be carried out by every postmaster and every rural carrier throughout the United States being made a representative of the Government for that purpose, so that he could pick up this wheat for sampling, and it could be reported to the county agent, who is more or less an ornament at the present time, and this would give him something to do, who in turn would report it to the State department of agriculture and to the Federal Government, so there would be a check-up on this material at all times. Also the fact that this wheat is stored on the farm would do away with one of the greatest evils that the farmer has to contend with today, and that is gambling in food products. This wheat stored on hundreds of thousands of farms throughout the United States of America would make it impossible for anyone to gamble in these wheat products. Furthermore, under my plan, this would be carried out through the Department of Agriculture and the Secretary of the Treasury, and a holiday could be declared, or a vacation in wheat or cotton or tobacco, as the case might be, but the three principal commodities which are nonperishable and do not spoil and can be stored on the farm would be the basis back of our currency that would in 60 days bring prosperity into this country and put buying power back into the hands of the farmer, allow him to pay his interest and his debts and his mortgage and his taxes, and so forth and so on, and go on like most any other American citizen does.

I have spent considerable time on this farm situation. I may not have it all; I do not say that I have a panacea for all ills, but I feel that in 26 years a person ought to learn just a few things; if he does not do it in that time he had better resign and quit.

The CHAIRMAN. We are very much obliged to you, Mr. Shoemaker. It seems almost impossible to limit them to 5 minutes. Mr. Hart wants to be heard for 5 minutes.

STATEMENT OF HON. MICHAEL J. HART, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MICHIGAN

Mr. HART. I will lay my watch on the table, Mr. Chairman. My name is M. J. Hart, Saginaw, Mich. I am a farmer, growing everything included in this bill, except rice, cotton, and tobacco. I would like to have everything I grow exempted from the bill, because I do not believe the Government or anybody else can pass the contemplated tax on to the consumer at the present time.

My plan for aiding the farmer is to remove the tax known as the tariff, which he has to pay. Let us assume that Senator Smith has 3 horses and that Senator Thomas has 3 cows. Senator Thomas wants to get rid of 2 cows and get a horse. The Government comes in and says there must be 30 percent paid each way before he can do it. There would be no trade. He would have to pay the tax in cash, and he does not have it.

Now, I did introduce a bill in the last session which would provide for the removal of the tariff on the surplus, on surplus commodities when exported direct to foreign countries. For instance, if England was to sell us $100,000 worth of merchandise with a $20,000 duty on it, they would be given a certificate or the importer would, showing the total value of the goods and the duty paid. When an exporter exported $100,000 of wheat, he would be given a certificate, showing the value of the goods, based upon the invoice, and the country to which it went. Now, then, when they bring those two certificates together, present them to the Treasury, the duty would be remitted on the imports. That would only be on exportable surpluses, as determined by the Secretary of Agriculture. That would immediately create a demand, because those certificates would be traded in to the point where we would have no competition. That would do away with the Ottawa pact, where Australia—where Canada has a 6-cent advantage over America on wheat.

The natural tendency of people is to get together and trade. You know you heard after the war that England was not going to trade with Germany, that France would never deal with Germany, but the minute there was a chance for a dollar's profit, they came together, and you pass that law and you won't need to make any commercial treaties. The two will naturally get together. If a fellow has a $20,000 certificate, he is going to find a merchant in Liverpool or somewhere who will buy an exportable commodity, and if he can't get the $20,000 he will take $10,000, but he will see that there is an exportable commodity so that he can get that certificate and go to the Treasury and get whatever he can of his tariff remitted, and this naturally siphon out of this country your exportable surplus, because there are thousands of people in Germany and France and Switzerland and various other countries in Europe that do not have sufficient food of the quality and type that we have to export.

Senator **Frazier**. We have got several million here at home that have not got enough to eat, either.

Mr. **Hart**. Yes; because your agriculture prices have broken down due to tariff which you helped to inflict on the farmer.

Senator **Frazier**. Well, the prices are low enough.

Mr. **Hart**. Yes; but you can not ship it out when the other fellow has nothing to pay with. There are only two ways to pay for it, one is gold, the other in goods. He has got no gold and you will not take goods, so he can not buy anything. You protect industry and you do not protect the farmer. I represent an agricultural district.

Now, I have sat here and listened to the testimony. Most of it has been delivered by those who have benefited by past laws of this kind and who are today representing concerns that are borrowing money from the United States Treasury. Men have come in here and testified that they would like to have a law of this kind so they could continue. Some of them have lost eighty or ninety million dollars of the Government's money. I do not consider their testimony worth very much on that basis, and I do not want them monkeying with the products that I raise. I will take care of myself. I am marketing every commodity listed in that bill, with the excep tion of rice, cotton, and tobacco.

Senator **Frazier**. Do you think you speak for the farmers of Michigan?

Mr. **Hart**. I speak for the farmers in the eighth district of Michigan, because they sent me here, and they know my views.

Senator Thomas of Oklahoma. Are you getting cost of production for the things you produce?

Mr. Hart. No; I am not getting cost of production on some of the things I produce. I have been losing $10,000 a year marketing farm products. I have lost it for four years straight.

Senator Thomas of Oklahoma. Do you think your prices will still remain down when the surplus is taken care of?

Mr. Hart. If you refer to the bill under consideration, that is on the assumption that when the patient is sick you might give him poison and he might get better. I do not want to take that chance. We are gradually getting better. I paid $3,000 taxes on my farm in 1930; last year I paid $900. That is some relief. And when you reduce these railroad rates, you reduce utility rates, you reduce telephone and telegraph, reduce the cost of distribution, reduce rents in the cities and cut the cost of distribution, the farmer's price will rise, but you try to jack the price up artificially and it will go down and your taxes will go up, and you will stall consumption.

I have been marketing for 30 years, as well as farming. I have got 800 acres, and I am in the same position that Mr. Jensen described his farmers are in. I have got a $40,000 mortgage on the farm. I cannot earn interest on it, but I am paying the taxes and keeping the plant up, and if my mortgagee had bank stock he would have lost the bank stock and probably be assessed 100 percent on it. Now, he has got the farm and I am keeping it in good shape and he is satisfied and so am I. But I do not want any more nostrums worked on me. I have got something at stake, and I hope to pay that mortgage out at $40,000 if I am let alone. We are not always going along in this way. Reduce your fixed charges; that is what we need. I am at the point now where in another year I will make a small profit, but if we have any more farm marketing acts, I feel that I will be sunk.

The only feature in that bill that passed the House that had any chance of success—and that is a speculation, and I voted against the bill—was the Smith speculative feature in cotton. That was a pure speculation but it did have some chance of success, but I voted against it because I believed the Government should keep out of speculation. Mr. Roosevelt said when he landed on that platform in Chicago from a plane that any law that put the Government into speculation should be repealed, and I voted with him on that.

Senator Murphy. Just one question, Mr. Hart. In connection with that tariff proposal of yours, your idea is to lower the tariff so that the fellow that comes here to trade——

Mr. Hart (interposing). Exchange with him on an even basis.

Senator Murphy. Give him the benefit of the tariff if he comes here to buy our goods?

Mr. Hart. To buy our surplus.

Senator Murphy. Our farm surplus?

Mr. Hart. Yes. And we fix in the bill what they are. It may not be necessary to cancel all the duties. You can make it flexible. Give the President authority to raise and lower it, the same as you do under the present flexible provision of the present tariff act.

The Chairman. Is not that another way of doing what the debenture plan attempted to do?

Mr. Hart. The debenture plan did not take into consideration the tax on European goods coming into this country which were exchanged; all it did was to put an arbitrary bounty on the outgoing, but it did not take into consideration the fact that the American people must pay on imports. That is the difference between the debenture and this. It simply takes the 30 percent away from the horse and cow trade. That is all. If you find that you can put in 10 percent and get away with it, give the Secretary of Agriculture authority to do it and let him raise or lower that as imports and exports take place.

Senator MURPHY. Your proposal is to take care of this surplus by encouraging the other fellow to trade with us?

Mr. HART. Make it attractive for him to exchange goods.

Senator BANKHEAD. You realize that we can not initiate in here any bill seeking to raise revenue, do you not?

Mr. HART. It originated in the House. It has been introduced in the House. But I will tell you from my experience that you will never get a farm organization to back that up, because it does not create any jobs, you see. [Laughter.] It does not put one other man on the pay roll, and that is the objection to it. It is too simple.

The CHAIRMAN. We are much obliged to you, Mr. Hart. We will now hear Mr. Taber, of the National Grange.

STATEMENT OF L. J. TABER, COLUMBUS, OHIO, MASTER OF THE NATIONAL GRANGE

Mr. TABER. I want to say for the speaker that just preceded me that the Grange has been advocating before this committee and before other committees for almost a quarter of a century legislation of that type. The export debenture is after all a plan to enable us to sell abroad and to use the debenture for the payment of import duties.

Mr. Chairman, I want very briefly to state that the Grange favors this legislation. We hope that it will be enacted by this session of Congress at the earliest consistent date.

We do not consider this perfect legislation. We do consider it, however, legislation fitting into a most critical period in the Nation's history. This committee is considering America's oldest unanswered problem. The oldest unanswered problem is equality for the farmer. It was raised in the first Congress. Congress has attempted to find a solution, but that solution has not yet been found. This bill is a step in the right direction, recognizing the emergency. It is a step in the right direction because it gives to the Secretary more than one method of approach. It is a step in the right direction because it gives to the administration something upon which to act and makes it possible to place the responsibility.

Personally, I believe that this administration is entitled to the type of machinery it wants to do a tremendously important job; therefore, speaking for an organization representing 800,000 dues-paying members, a farmer all my life, representing farmers in 35 States, I simply want to emphasize the belief that the Senate would act with wisdom if it adopted this legislation in approximately the form in which you find it. I am not saying it is perfect, but I am saying that it does the three things that it seems to me ought to be done and done immediately.

That is all I care to say, Mr. Chairman. Thank you very much.

The CHAIRMAN. Now, we have one more for 5 minutes, Mr. Iverson, who wanted to be heard for a few minutes. Is Mr. Iverson present? [No response.]

Senator McGILL. Do you want to hear from Senator Brookhart?

The CHAIRMAN. Senator Brookhart; yes. I beg pardon, Senator. Senator Brookhart wants to be heard. I had overlooked that.

STATEMENT OF HON. SMITH W. BROOKHART, OF IOWA

Mr. BROOKHART. Mr. Chairman, I have an amendment that I desire to suggest to the bill, and in view of the late hour I believe I will go directly to that amendment. This amendment does not interfere with the functioning of any other provisions of the bill, but it adds to the powers of the President very much.

I do not think any consideration of this question as an emergency or final solution is going to take care of the situation unless this exportable surplus is sufficiently handled in some way. In Iowa, we produce 20 percent of all the hogs in the whole United States, 20 percent, one fifth of them. We produce one sixth of the corn. Those pigs are already farrowed; they cannot come into this bill this year.

We produce more calves than any State in the Union except Texas, which is five times as large as Iowa, and we feed nearly all of these range cattle, coming from Wyoming and Colorado and even Oklahoma, and a lot of them from Texas and some even from Canada and, of course, a restriction of the livestock, of the cattle production, is out of the question for the coming year.

Corn could come into the bill, but since these farmers have their stock they will want the corn to feed the stock, and it will be difficult to get them to sign contracts for a reduction of acreage. So I have offered this alternative: On page 7, between lines 18 and 19, insert subsection (5) as follows:

> Whenever the President shall determine that the exercise of the powers herein otherwise granted will not successfully restore the relation of prices of agricultural poducts to other commodities as herein contemplated, the following additional powers are herein granted and provided:
>
> (a) Through the Agricultural Department or such other agencies as the President may determine or set up the percentage of each basic agricultural commodity or export shall be estimated and determined in advance and conversely the percentage for domestic consumption.
>
> (b) The President is then authorized to direct all processors and purchasers of these commodities, except such as are used upon the farms, to turn over to such governmental agencies as the President may direct the percentage determined for export and Government warehouse receipts shall be issued therefor. This exportable surplus shall be disposed of in foreign markets by the governmental agencies in charge thereof at the best time and under the best conditions to obtain the best prices in the world market as the President may determine. The warehouse receipts shall then be redeemed at the price realized for the sale of such surpluses, less the expense and storage in marketing the same.
>
> (c) The President is further authorized through the Agricultural Department or such other agency as he may set up or determine to fix a cost-of-production price, including a reasonable profit on capital investment, for the percentage of all such commodities to be consumed in the United States, and all buyers, processors, and agencies purchasing such commodities from farmers are required to pay for such percentage the price so fixed and determined.

Then the penalties for violation.

Senator NORRIS. Senator, I wish you would read that, too, the penalties. Read the balance of your proposed amendment.

Mr. **Brookhart** (reading):

> Each and every violation of this subsection shall be punished by fine of not more than $1,000 or imprisonment in jail not exceeding 1 year, or both.

Senator **Norris**. That contemplates the licensing, of course, of dealers?

Mr. **Brookhart**. Yes.

Senator **Norris**. You do not set that forth.

Mr. **Brookhart**. I have set no details, but I think the power is broad enough, Senator, that they can license them or set up any agency.

Senator **Norris**. I was wondering—the question that entered my mind at once was whether you could provide a criminal penalty there for something that is not set up itself in the law. Now, you have not set forth even the framework of the method by which the law would be violated.

Mr. **Brookhart**. Yes; I think I have. That is, I have set up the specific things that are to be done here, and for violation of those things the penalty is imposed.

Senator **Norris**. I think you ought to modify that a little. The violation of those things that you have set up—the thing set up is that the President has authority to establish the machinery by which this is to be carried into effect.

Mr. **Brookhart**. Yes.

Senator **Norris**. Now, in doing that he will have to license a lot of people. Suppose one of these licencees does not follow out that instruction there in the segregation of the exportable surplus; it seems to me that in order to enforce it you must, of course, have some criminal statute. In order to have a criminal statute, I should think that the provision for the criminal punishment part of it ought to refer to something that is more definite than you have got there.

Mr. **Brookhart**. I would be glad to have the Senator incorporate that in the amendment, so far as that is concerned, and perhaps the Senator is right.

Senator **Norris**. Let me ask you another thing. That is very similar, too, and fundamentally it is the same as Mr. Simpson's method and Mr. Clair's method; but I am wondering why you provide for the turning over of that exportable surplus to the Government.

Mr. **Brookhart**. Yes.

Senator **Norris**. Why not, if you are going to license these dealers like an elevator man, provide that they shall export that, and that it shall not be used in domestic consumption?

Mr. **Brookhart**. Well, there is this reason: They are not organized to export it; at present there is no efficient agency. It is a matter of competition.

Let us take cotton. Here is about 55 percent of the cotton that is produced in the United States is exported, on my check—Senator Smith claims a little higher percentage, I believe. That 55 percent, if that be correct, is about 68 percent of the world demand for cotton. In other words, the world gets about 68 percent of its cotton from the United States. Now, at present, in the first place the farmers are forced to sell their cotton here in the domestic market and flood the market with all this 55 percent. In the next place, there are about

46 or 47 exporting agencies competing with each other in selling cotton in the world market. The result is that the world market is constantly a bidder's market. It is fixed on the other side and we have no voice in it at all. If this is turned over to the Government and one agency is created so strong and so powerful that it does not have to sell cotton, it can hold and ask a price. It will have some voice then in the world market and I believe will considerably improve world prices.

Senator NORRIS. Now, Senator, that is true of cotton, I think, because we could really, if we would, control our cotton, and we could then control the world price for cotton, because the world can not get along without our cotton, but that is not true of wheat.

Mr. BROOKHART. Let us see about wheat, now. There is less than about 20 percent of our wheat production that goes abroad, and it is not so big a percentage in the world demand for wheat. But there was a world conference called, and the Australians and the Canadians and the Argentineans, and even the Russians, all of them, wanted to establish a quota system for the wheat-producing countries of the world, and there are only 5 or 6 of them, so it is not a large number. Then one agent could handle the sale of that wheat in England, for instance, for all those countries, or in each other country. Have one agent for all of them, and in that way they could get a similar control of the wheat matter compared to the cotton situation that I have just described. But it was a distinguished citizen from Nebraska that upset that on the Farm Board.

Senator NORRIS. Yes. Well, if you would know that distinguished citizen and know what kind of man he was, you would not be surprised at his doing that.

Mr. BROOKHART. Well, I voted against his confirmation on the record. I anticipated him all right.

Now then, President Roosevelt, as the newspaper accounts state, is going to revive this national conference on the wheat question, and if it succeeds, and I think it will be comparatively easy to do, then I think the wheat proposition will be quite as well controlled as the cotton proposition would be if we had it handled as I describe.

Senator NORRIS. Senator, we cannot afford to put into this law something that is based entirely on anticipation of something that does not exist yet. That may come out just that way. I would be glad if it would, but maybe it will not. It seems to me we ought to take conditions as they are. Why can they not export this surplus wheat, if the law compels the licencee to segregate, just the same as they do now? Why not let it be subject to the same influences that control it now?

Mr. BROOKHART. It can be done that way, and I would not particularly object to that, but it is nothing like as efficient as if we had one agency doing it. Then if we carried out the world arrangement I would like to have the foundation laid for that.

Senator NORRIS. You know the condition that we would be up against if we tried to have the Government do that. There will be a lot of opposition to it anyway, but the great opposition at once that would spring up, not only in Congress but everywhere else, would be that you are putting the Government into business on this proposition, and we can just as well avoid that criticism if we let it go and take its own course.

Mr. **Brookhart**. Yes, but so far as I am concerned, that criticism does not impress me at all.

Senator **Norris**. Well, it is a criticism that as a legislator you have got to take into consideration if you want to pass a law of that kind.

Mr. **Brookhart**. I realize you have to consider it, but under the present desperate condition of agriculture, with actual rebellion against the courts and States, I think the time is here when something should be done.

Senator **Norris**. But you have got a proposition, Senator, that I doubt whether it can pass anywhere—and I am going to vote for that kind of an amendment myself. I think it is a good solution of the question. I am not speaking of it as an enemy, but why borrow a whole lot of trouble when you can avoid it?

Mr. **Brookhart**. Well, I am perfectly willing to accept that suggestion so far as I am concerned, but I would prefer to present the proposition on its full merits at least.

Senator **Norris**. I would like to have—I have not prepared the amendment, but I would like to have the amendment presented in the Senate or before this committee when we get into executive session, that would carry out that idea.

Mr. **Brookhart**. Well, the Senator can use this suggestion here then and prepare it in detail.

Senator **Norris**. I think you would come nearer getting down to a concrete proposition than anybody that has proposed it yet, but I point out that difficulty, not because I am necessarily opposed to it, but because I think as a matter of strategy it would be a serious mistake if we borrowed that trouble that I think we can get along and avoid.

Mr. **Brookhart**. It would be a very great advantage to do it as the Senator suggests, over the other plan, as I see it, and I would not have the slightest objection to it, although, of course, I feel that one agency would be more efficient in handling either of these propositions.

Senator **Norris**. Wheat is exported now. The man way out in the country, the country elevator, buys wheat, and some of that wheat perhaps all of that, is exported, gets into some foreign country. Now, it would not add anything to the machinery, it would not change any of the machinery; in fact, it would not change the amount as I see it, that would be exported under that proposition that is exported now.

Mr. **Brookhart**. I think that is all very true.

Senator **Norris**. The surplus is exported anyway. The only thing is that when it got into the elevator it would be segregated.

Mr. **Brookhart**. The particular lot of wheat need not be segregated. The elevator could keep its count when it sold it.

Senator **Norris**. If he shipped a thousand bushels of wheat, he would not need to segregate every man's wheat in there, but he could segregate it in bulk.

Mr. **Brookhart**. Now I want to call attention a little to the world situation on cotton. I have the Department of Commerce statement here of March 14 of this year, and I find that there are in consuming establishments 1,441,000 and odd bales of cotton, and there are in public storage at compresses 9,379,000 bales. That makes the total cotton in the United States about 11,000,000 bales. That is practically the entire world surplus, because they use up the cotton produced in other parts of the world and then come to us for 68 percent of their cotton.

Now, here is the world situation for 1931, which was the year of the big crop. The world production of commercial cotton, exclusive of linters grown in 1931, as compiled from various sources was 26,329,000 bales. Counting America in running bales and foreign bales of 478 pounds, while the consumption of cotton exclusive of linters in the United States for the year ending July 31, 1932, was approximately 22,896,000 bales.

So you can see from that comparison that there is no big surplus of cotton in the world; in fact, I think our friends are too much afraid of what they call the "carry-over of cotton" all the time. The Russian mills last year were able to run to only 60 percent capacity because they did not have the cotton, and if we had had proper relations I think we could have sold them about 2,000,000 bales to run those mills, because they needed to run to full capacity, and they need more mills to supply their enormously increasing demand in that country.

The CHAIRMAN. They were making inquiries for about a billion yards of raw cotton cloth.

Mr. BROOKHART. That is correct, Senator. A cotton manufacturer in your State, Mr. Self, of Greenwood, came to me—I had been in his home at one time and he knew I had been in Russia—and he said that he was being sounded out for a billion yards of unbleached cotton cloth. Well, that would take something like 500,000 bales to manufacture, that quantity of cloth, and I advised him to go ahead and get the contract if he could, because a similar contract was submitted to me on tractors, 5,000 tractors out in Iowa, and they took that contract 3 years ago and advised me a few months ago that every payment had been made exactly as they had agreed to make it, and they had paid for the tractors then practically in full. So there is some chance to work up a world trade on some of these things, but I think it has got to be done from now on by negotiation. I do not believe we can open up this world market very much by lowering tariff rates now. I voted against the tariff bill. I felt that these discriminations were there, and I felt it would stir up animosity all over the world. It did all that, and they put up retaliatory rates against us, and by us taking ours down they would not take theirs down. That has got to be done by negotiation in the future.

Senator NORBECK. The same people that were telling us that the debenture would bring on that trouble voted for the tariff bill and brought it on in that way.

Mr. BROOKHART. And it was a good deal more offensive than any debenture would have been.

Now let us see about some of these things. The corn surplus is less than 1 percent and has been since 1923. It is just a little bit of a job to handle that surplus of corn and fix a cost of production price and maintain it. And corn is the greatest of all the agricultural products, nearly 3,000,000,000 bushels, the greatest in value and the greatest in volume and everything else.

Senator NORRIS. You must not boast too much about corn, Senator. You will get the cottonmen mad right away.

The CHAIRMAN. They have got an avenue in prospect now for getting rid of most of the corn. They are going to liquefy corn. [Laughter.]

Mr. BROOKHART. Yes; I understand that, but the cottonman has no money to buy the liquor. [Laughter.]

Senator NORBECK. They cannot make beer out of corn, can they?

Senator NORRIS. You might trade them liquor for cotton, and if you gave them enough liquor before you made the trade you could get a very good trade. [Laughter.]

Mr. BROOKHART. Now here are hogs. The pork products that are exportable are only 8 or 9 percent of all the products, and that is mostly lard. About 30 percent of the lard goes, and a little bit of what they call bacon, hams, shoulders, sides. So that there is no big surplus of hogs. There is no surplus, we find from the packers here today, of cattle at all, of beef cattle, and yet our prices are down on those. So the handling of the hog surplus, if it included lard and bacon, that would be enough to take care of that, and it would be a rather small proposition.

Now, sheep is in the same place as cattle.

Tobacco is about 30 percent exportable, but tobacco, of course, is a minor crop compared to these others, but here is a great crop that is entirely left out of the bill, and that is oats. Oats is the second biggest crop. It is 1,400,000,000 bushels, as against some 800,000,000 of wheat, and its surplus again is less than 1 percent, and yet it is entirely left out of this bill and out of this consideration.

Senator MURPHY. It is a very much larger crop than rice, too, Senator.

Mr. BROOKHART. Very much larger.

Senator NORBECK. What percent of oats goes into commerce, into trade at all? What percent of it leaves the farm?

Mr. BROOKHART. Well, I would have to trace that.

Senator NORBECK. A very small percent.

Mr. BROOKHART. Rather small. A large part of it goes into feed, it is true. They feed oats to hogs and calves and chickens and everything else. So, on an average, this exportable surplus is less than 10 percent, with your big percentage of cotton and all averaged in, and yet that little 10 percent is allowed to fix the price of our entire agricultural production in the United States.

Now, they talk about price fixing. We have got plenty of price-fixing devices in this country. The tariff itself is a price-fixing institution. The Government is in this price-fixing business for other things in many different ways. I want to take just a moment of your time to show you how it has fixed the prices of railroad rates. You have had something to say about that. I would like to give you a very illuminating picture of that situation as to agricultural products. This is a report of the Interstate Commerce Commission dated in March 1932. It is for the year 1930. Here it says the total value of the freight transported by class 1 railways in 1930 is shown as $62,000,000,000. There is something in this country yet. We are not broke in the United States.

The CHAIRMAN. Did you say "we?"

Mr. BROOKHART. Well, you and I are, but some of them are not. [Laughter.]

The CHAIRMAN. I wanted to get that pronoun right. [Laughter.]

Mr. BROOKHART. There are some fellows that are not. I noticed Mr. Mellon's bank declared a 200 percent dividend over in Pittsburgh.

The CHAIRMAN. Do not speak about that in this committee. [Laughter.]

Mr. BROOKHART. Now, of this, 10,000,000,000 was less-than-carload freight—I will only read the billions here—and 35,000,000,000 for carload manufactures and miscellaneous, leaving only 16,000,000,000 for products of agriculture, animal industry, and mines and forests.

For the 45.7 billions of value in the first two items—that is your manufactured articles—1.85 billions of freight revenue was collected, while for the 16.3 billions of value—that is, your agriculture, mines, and forests—2.36 billions of freight revenue was collected. The respective percentages being, on the manufactured stuff, 4.05 percent; on agriculture, mines, and forests, 14.42 per cent.

Senator NORBECK. Is that percent of the value?

Mr. BROOKHART. That is of the value, yes; 14 percent of the value of agricultural products.

Senator NORRIS. They got something more than 2,000,000,000 on the manufactured products?

Mr. BROOKHART. Less than 2,000,000,000; 1.85 billion.

Senator NORRIS. And something more than 2,000,000,000 on agriculture?

Mr. BROOKHART. 2.36 billion.

Senator NORRIS. Then manufactured products in value, what was that as compared to agriculture?

Mr. BROOKHART. 45.7 billions as compared to 16.3 billion for agriculture, forestry, and mines. They have not separated those.

The CHAIRMAN. Is not that the operation of your natural law, that everything moves along the line of least resistance?

Mr. BROOKHART. That is the operation of the natural law, commonly called the Esch-Cummins law. [Laughter.]

Of course, that means that while value is not the only element to be considered in establishing freight rates, yet it is one of the very important elements in establishing freight rates, and a discrimination like that is so gross that any fair mind will admit it as soon as these figures are seen.

Someone has said, "Where are we going to get the money to raise the price of these farm products?" One lady manufacturer here said her workers could not pay any more, and the packers come in and say the consumers cannot pay any more. Well, let us see. The National Industrial Conference Board finds that the national income in 1932 was $40,000,000,000. That is about $1,600 for each average family of five in the United States, if it were so distributed. Well, that $1,600—there is a third of these families that have none of it. They are out of a job, out of an income, and even living on charity. So there are enough resources in this country—and that is what I meant a moment ago by saying we were not broke—if it were properly distributed, to give the farmers the cost of production for their products and to employ this unemployed labor, but there is just one authority in this country with power enough to do that thing and to mobilize these resources and take charge of them and do the job, and that is your Uncle Samuel, the Government of the United States. These other crowds do not know how to do it. I think this bunch of financiers that came before the Banking and Currency Committee was the most unenlightened set of ignoramuses that I ever saw on the witness stand. They had no adequate suggestion for anything.

Senator NORBECK. Senator Brookhart, you will recall they all admitted they did not know the depression was coming. [Laughter.]

Mr. BROOKHART. Yes; I remember that.

Senator NORRIS. Most of them have found out that it has come, though.

Mr. BROOKHART. Yes; since the grand jury got after them. They are going to realize it.

But now, if the situation should remain as it is now; if we should raise these farm prices and unemployment go on just as it does now, then the lady from Kansas City is correct, her people could not afford to pay these advances at all. But something else is going to happen. Supposing that this amendment I have suggested were adopted, and supposing the President would then set up a board, and they would raise the price of corn to 90 cents a bushel, cotton to 18 cents a pound, wheat to $1.15 or $1.20, and these other products like that, and those prices were fixed so that the country knows, the bankers know and the farmers know and everybody knows that they are going to receive those prices for 90 percent, on an average, of these farm products, immediately when that would happen, the farmer would have some credit again—he cannot borrow anything now—you talk about all these lending agencies, they have not loaned anything to farmers; they loaned to financial organizations of one kind and another—the farmer's buying power would come back at once as soon as that is known—and he has not bought anything for 10 years. That is one thing about this situation that is overlooked all the time.

These other representatives of other institutions come in and tell you "we are in just as bad shape as the farmer," but they were not in as bad shape 10 years ago when the deflation started late in 1920. It hit agriculture much harder than anybody else, and through all of those years since 1920 the agriculture dollar has been down below the other dollars. At the present time, one witness said today that manufacturing was getting about $1.06—and I believe he said that agriculture was getting 46 cents. I think it ought to have been 56, maybe.

Senator NORRIS. I think it was 59, as I remember it, Senator.

Mr. BROOKHART. Whatever it was at any rate those figures illustrate, and they are right, the discrimination or discrepancy between the value of the farmer's dollar and the other dollars.

That brings up the question of regulating the money proposition. Supposing we do increase the currency; supposing we take the commodity index as the basis—and it is a scientific basis—we can issue Treasury notes; we do not need to bother with silver or gold either; we are off the gold standard now, you can not get a dollar of gold—you will get in jail if you take it home with you—we have been off the gold standard ever since the Federal Reserve System was established, in fact; we have been on a managed standard ever since, and the objection I have is to the management. It has not been managed right. Suppose now we expand this currency. Suppose we issue enough Treasury notes to balance the Budget, and that would raise the price level some, still would not bring it to the general 1926 level. Suppose we should issue enough then to handle this exportable surplus of agriculture, and you could buy it for about a billion dollars, well that I do not think would raise the price of things up to the 1926 level. Suppose we should issue enough to pay the soldier bonus, I still do not believe that would raise it up to the 1926 level, but as we put in these issues we should watch that index, which since 1902 has been a sensitive and reliable guide for the money value, and if it did raise the level up above normal or to normal, then we can stop those issues and control them at that point.

Nobody believes in an unlimited money issue. That is what they throw at you all the time, that if you start this thing there is no stopping. It is just as easy to stop as it is to start.

Senator **Norbeck.** Would it not be much easier?

Mr. **Brookhart.** Yes; the Federal Reserve knows how to do that. They know how to deflate.

The **Chairman.** The appearance of the country indicates that they have been very successful in stopping it. [Laughter.]

Mr. **Brookhart.** Yes; they have. There is no doubt of that. Now then, suppose we would do that and we would remonetize silver. I voted for that over there just before I went out, although I think a Treasury note issue would be a more scientific and reliable way—suppose we should raise it then to the normal level, where would agriculture be still? It would still be in that proportion of your 56 or 59 to 106 toward the other matters.

So, the money question alone will not solve this proposition. Here is what it will do, so far as the debts of agriculture are concerned. It will give them a chance to pay those debts—and that is a tremendous big help, all right—it will give everybody that same chance, and debts in the United States, the last check I made, were $203,000,000,000 and at that time the national wealth, as I checked it, was estimated at $260,000,000,000.

I expect that at the present moment the debt, because that was some time ago, I expect the debts are equal to the entire national wealth now. I expect that is probably true. That means a universal state of bankruptcy, excepting the fellow whose wealth is in the bonds and mortgages and things that foreclose. They are the only people that have any property left when this nature takes its course and winds this thing up.

Senator **Norris.** What would their property be worth? Nobody could say, if they had it all.

Mr. **Brookhart.** You can take the honest insurance company now that just wants to do an honest business, and it has had enough defaults and losses that it would be better for it to take a reduction in the value of its bonds and stocks than to go through the present situation. Of course, if it wants to take the land away from the farmer and organize corporation farms and put on a Wall Street boom then to sell corporation stock in the future, and work that kind of a deal—if it is in that kind of a dishonest mood, then the Senator's observation would be correct.

The **Chairman.** Mr. Simpson here wants to make a statement before we close so that he will have the record made straight as to a certain article he has.

Mr. **Brookhart.** I am glad to yield to John Simpson any time.

Mr. **Simpson.** The other day I said there had been a Supreme Court decision that declared wheat interstate commerce the minute it left the farm. I have the citation here. The title of the case is *Bowers, Manager, Embden, Elevator Co.* v. *Lempke*, a North Dakota case, and it is 258 U.S. 50.

Senator **Norris**. What page?

Mr. **Simpson**. Page 50.

Mr. **Brookhart**. I think, Mr. Chairman, that is all I have.

The **Chairman**. I want to state to the committee that this ends the hearings. The committee will meet in executive session in the morning at 10 o'clock and proceed to the consideration of such bill as it will report out.

Kit Carson, Colo., *March 27, 1933.*

Senator John B. Kendrick,
Senate Office Building, Washington, D.C.

Please lay this message before Senate Agricultural Committee as my protest against agricultural refief bill that is now before committee. Evidently the intent of this bill is to legislate value into commodities. If such a thing is possible then the economical problems of the world will have been solved. If it is possible to accomplish this desire by legislation it seems strange that through all the world's history that such a simple remedy has never heretofore been successfully accomplished. It is impossible and in the end will do more harm than good. What agriculture needs most is a good rest from agitation. The remedy lies in cheapening of the currency, lowering of taxes, railroad rates, and marketing expenses; lowering the cost of all governmental units, clear down to the local schools, and scaling down overcapitalization of all industries. If we must try out this wild experiment please leave livestock out for at least a year.

Chas. E. Collins.

Watertown, S.Dak., *March 28, 1933.*

Hon. Peter Norbeck,
United States Senate, Washington, D.C.:

Our board of directors in session assembled urge you to use every possible effort to have the farm bill passed as reported from the House because every day's delay tends to undermine confidence recently created by passage of other major legislation. Delay in the passage of this farm bill at this seeding season is practically equivalent to a year's delay which will prove ruinous to agriculture and business.

Watertown Chamber of Commerce,
J. W. Griest, *Secretary.*

Grain Committee on National Affairs,
Washington, D.C., March 29, 1933.

Hon. Ellison D. Smith,
Chairman Committee on Agriculture and Forestry,
United States Senate, Washington, D.C.

Dear Senator Smith: Will you kindly have the record of hearings on H.R. 3835 show that I, as chairman of the grain committee on national affairs, requested to be heard and was given time on the schedule, but later my name was stricken from the list.

Having been denied a hearing in open session, I desire to transmit to you herewith certain suggested changes in the bill and request that you bring them to the attention of the committee for consideration.

First, strike out paragraphs 2, 3, and 4 of section 8. This proposed governmental control over the marketing of farm products in the stream of interstate and foreign commerce will serve to narrow the market for farm products at a time when wider markets are absolutely essential to the restoration of agriculture.

Second, if the committee feels that paragraph 2 of section 8 is necessary to the proper carrying out of this act, then it should be amended by striking out the period after the word "parties" on line 18, inserting a semi-colon and adding the words "*Provided however*, That in making such agreements there shall be no discrimination in favor of any processor, association of producers or other agency so engaged." The necessity of this amendment must be apparent, with the Agricultural Marketing Act still unrepealed, if favoritism such as that under the Farm Board is to be avoided in the future. As a matter of fact, the interest rate should be a minimum instead of a maximum to guard against such gross favoritism as in the case of one group that now enjoys a rate of one-eighth of 1 per cent on nearly $16,000,000 borrowed from the Farm Board.

Very truly yours,

Thos. Y. Wickham, *Chairman.*

PROGRESSIVE FARMER-RURALIST CO.,
Raleigh, N. C., March 27, 1933.

Senator E. D. SMITH,
Chairman Senate Committee on Agriculture,
Washington, D. C.

DEAR SENATOR SMITH: We earnestly urge you to support the general principles of the farm relief bill proposed by President Roosevelt. We are convinced that the large degree of latitude in its operation which the bill gives Secretary Wallace and the United States Department of Agriculture will be wisely exercised. He will consult with agricultural leaders in making such adaptations as will best fit in with varying or changing conditions, or that accumulating experience indicates should be made. We sincerely hope that the general plan will not be hamstrung by unfriendly amendments, but President Roosevelt instead given liberal authority to carry out the promises he made to American farmers and which these farmers expect fulfilled. A basic principle which should not be disturbed is that of restoring farm prices to their pre-war parity with other prices, and with this assured and the President's farm mortgage program enacted into law, the farmers of the South can win their way back to independence.

Respectfully submitted.

W. KERR SCOTT,
Master North Carolina State Grange.
CHAS. F. CATES,
President North Carolina Farmers State Alliance.
CLARENCE POE,
Editor the Progressive Farmer and Member Executive Committee North Carolina State Grange.

To the Senate Committee of Agriculture and Forestry:

GENTLEMEN: This testimony is in reference to bill H.R. 3835. Before going into the details as to whether or not the farm relief bill, as passed by the House of Representatives, is advisable to be passed by the Senate, I wish to draw to the attention of the Senate Committee of Agriculture and Forestry that the object of the bill is to levy a tax on basic agricultural commodities with a view of raising prices to the extent of the tax levied, which would be paid over to the producer, to enable him to acquire purchasing power for the necessities in industrial commodities.

The basic agricultural commodities mean wheat, cotton, corn, hogs, cattle, sheep, rice, tobacco, and milk and its products. You heard the objection of sheep raisers as to the inadvisability of levying a tax so as to advance prices on sheep, because that is not possible to apply to sheep, for the various reasons that were explained in the testimony.

I wish to point out that milk and milk products cannot be applicable to the general terms of this act for the very reason that it is not to be compared with cotton and grain of any kind. The cotton and grain commodities are produced once a year in the United States, and milk is a daily crop so to speak. Milk cannot be kept longer than the day it is produced, and has to be distributed when sold as fluid milk, and when a product is produced out of the milk, such as butter, cheese, etc., it has to be done within the week it is produced, and prices for any commodities produced out of milk are daily fluctuating because they are also fluctuating in quantity of production, and the seasons of the year and the weather at any given time, which makes a change in the prices of those commodities. As a matter of fact, butter is so sensitive as to advances or drops in prices that one fourth cent a pound makes a difference as to whether or not it could be sold quick, or it will have to be held for a time in storage, to be sold later.

When it comes to the season of surplus production of milk products, then the only way it is possible to sell those surpluses, is when there is a free way of trading in it. No one could be forced to buy it, because they do not have to buy it and invest money in a commodity that will be sold 6 months later, and one does not know whether or not he would be able to get his money back, out of it, even when a profit would not necessarily be the question. Very often the question is to remove the surplus from the daily tradings, so that the business of the day could go on without interference.

Therefore, interference by levying a tax or by having any Government agency interfere with this line of business, would be greatly detrimental to the producer and distributor alike, and instead of a gain of any kind, there would be a loss to all, without doubt whatsoever.

As to the provision of the act covering all commodities produced by the farmer, will say that prudence would caution any man in authority, to add other complicated machinery to relieve a situation that has been sick for 4 years or so, and which has been caused by a complicated legislation that was not necessary, and the farmers and the country as a whole, are now paying the penalty for same.

Another experiment is to be fostered on the farmers and the country with the idea that it will help them, when in reality it will destroy every possibility of recuperation through advancing prices of farm commodities.

It would seem that any Member of Congress would realize that since prices started to slide down, beginning with the passage of the Agricultural Marketing Act, creating cooperative marketing agencies in agricultural commodities, that there might be something wrong in that. The fact is that from the date of the passage of the Agricultural Marketing Act creating those nationally cooperative agencies with Government aid and nursing, every independent distributor of agricultural commodities was out of the buying or distributing of those commodities, and therefore the farmer has lost customers that he would have gotten if that act would not have been passed, since there were only a few dealers who tried to deal in grain or cotton, but they were not aufficient to buy up all the farmers' crops, whether cotton and grain, and therefore all those products were begging for a market. The organizations created by the Government under the Federal Farm Board wasted $500,000,000 to try to bolster up prices and hold the commodities for higher prices, and they failed to do that. Couldn't the Congress see that any interference that would be created again, would be more harmful than any possibility of attaining any good in it?

In the testimony given by witnesses on this bill at the Senate Committee of Agriculture, Senator Wheeler, of Montana, brought out points that the question of leaving business to its natural economic development, has been suggested before, but in the opinion of the Senator, nothing could come out of leaving things to natural consequences. I believe that the Senator was not correct in that statement. In the first place, in the case of farm relief, never was anything left to the law of supply and demand, but there was always interference by somebody, to help the farmer, while in reality the farmer neither wanted nor needed that help, but that so-called help has always been detrimental in doing harm to the farmer and to the Nation.

The present proposed farm relief bill is one of those measures that will harm the farmer as the Agricultural Marketing Act harmed him, and as any other acts supposed to help the farmer did him no good.

All that Congress needs to do, is to repeal the Agricultural Marketing Act, have cooperative marketing organizations take care of themselves the way independents are taking care of themselves, give notice to the people engaged in commerce in the United States that they will not be interfered with by any hampering laws, and this will be a signal for new enterprises and for advancing prices in all agricultural commodities.

I, therefore, suggest the repeal of the Agricultural Marketing Act especially the cooperative marketing feature thereof, and as for immediate help, all that the farmer needs, is to adopt measures to have the farmer on a farm retain same, and I believe that the bill recommended by the Hon. Henry A. Wallace, Secretary of Agriculture, with a few modifications or improvements in that bill, would just do the proper thing for the farmer to hold his farm, and the rest could be left to the laws of healthy economics where supply and demand govern prices.

Respectfully yours,

ARTHUR MEDWEDEFF.

(Whereupon, at 5:25 p.m., the committee adjourned.)

×

1181 240